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Communes Throw Immense Strain on Distribution

By Wyndham Newton

The creation of people's communes has radically altered the problems of transport and distribution and even the nature of the demands of the farming class and involved the Chinese Communist authorities in many grave problems which they have still to overcome.

A national conference of an emergency character was held at Sian, the Shensi capital, in the latter part of October, to consider the new problems and tasks arising in financial and trade work in the rural areas now that practically all peasant households have been embraced within the people's communes. Vice-Premier Li Hsien-nien and many important officials of the State and the Party took part, together with a large body of administrative cadres.

The conference agreed on the obvious conclusion that the widespread creation of people's communes had brought great changes in production, distribution, exchange and consumption, and in the work of all organs connected with these branches of economic activity. The last remnants of private ownership are disappearing and payment according to work days that prevailed under the agricultural co-operatives is being replaced by a system of part-supply and part-wages. In some places the system is being applied of providing free grain in lieu of cash.

Self-sufficiency is making rapid strides and most products are now being produced and consumed in the same communes, while purchasing and marketing have become more concentrated. Products are purchased as a rule from a single commune instead of from scores of agricultural co-operatives. Foodstuffs and cooking utensils are being sold to a much smaller number of public service restaurants instead of being sold separately to the thousands of peasant households. The demand for large cooking utensils has naturally greatly increased and the widespread growth of public facilities and the extension of collective living are shattering the immemorial family system.

All this has confronted the work of the commercial, financial and banking institutions with totally new conditions. Commercial institutions, for example, must organise not only the exchange of commodities but also the direct distribution of the products. The cardinal system of taxation in industry and commerce, according to commodity turnover, which was hitherto prevalent, no longer coincides with reality as regards production and commodity circulation in the people's communes. Changes have arisen in the finances of the townships, too, since commune and township have merged into a single entity. In banking, clearance of accounts and bank credits have increased in scope and the volume of cash transactions has shrunk.

The conference considered the adaptation of financial and commercial work to the new conditions as a most urgent problem. Basic units of all State financial and trade institutions in the rural areas are to be handed over to the communes with their staff, and their property will be managed and used by the communes, which in turn are enjoined unconditionally to carry out the unified policy and plans of the State. State revenues from the rural areas, including taxes on agriculture, industry and commerce, and the income of enterprises will be calculated in a unified way and the communes will be responsible for their delivery, after deducting costs of administration.

The Ta Kung Pao described the adjustments in the financial and commercial systems as "important reforms of historic significance," and said that the communes are now both basic economic units and basic units of State power. "They possess the element of ownership by the whole people and also the element of collective ownership and favour the transition of the communes to the higher stage from collective ownership to ownership by the whole people." It contends that the operation of these measures is "welcomed by the peasants, who say that these adjustments will make financial and trade work truly their own affair."

But it is impossible to change the entire system of living of a vast population occupying an enormous area as easily as the official reports pretend and serious food shortages in urban areas are matched by similar shortages of consumer goods in the countryside, where bulk buying in place of individual purchases made the shortages more pronounced. It relates not only to industrial products needed for the "technological revolution" on the farms but a great variety of unconsidered trifles for the cultural revolution. Demand has increased faster in the rural areas than in the cities, where such supplies have always been more accessible. Pen, paper and account books have come intimately into the lives of people whose forefathers lived their lives without need or desire for them, for the ages of illiteracy in China were never dark but employed other devices to diffuse knowledge and entertainment—the spoken word for the commercial contract, the abacus for the reckoning, and the theatre and shadow play for so many things.

There is now demand for something of everything of modern production, from alarm clocks—to help the peasant and his good wife to cope with the late hours and early rising—to contraceptives. The people are told over and over again that their standard of life is rising all the time and they are making demands that correspond and get irritated if they are not quickly met. The women want more for "finery" as part reward for their extra labours in the field or factory, and the colours of the rainbow have been borrowed from the Russian peasants to replace the utter drabness of the omnipresent and ancient "blues."

They want more clothes, socks, hats and shoes; wash basins, bowls and small spoons; and if they are in less need at home in the days of the universal canteen and nursery, these mass institutions need them just the same, and even the poorest people are more particular in public than in private eating. Cloth shoes which the women did without they now insist upon and they are being sold in thousands of pairs. The children are even crying for toys, though the nurseries may have put them up to it to keep them quiet and save trouble! And how can there be sewing factories in communes without an adequate supply of sewing machines. There seems to be even a competitive emulation among the women of various provinces about the amount of soap used and Tsinshih County at present stands at the top of the batting averages with the purchase of over 4,000 cases in a few days.

There are even now five "famous conversions"—to convert the now despised brass basins into enamel wash basins, brass kettles, and spoons into aluminium, brass pans into steel pans, and the old-fashioned, distinctively Chinese brass keys into the foreign-style article. In one province alone (Hunan) 230,000 enamel basins were sold in the first 20 days of August: a rate much more than double the month before. Shortages at once ensue for new buyers. Purchasing power used to go to food first; then to clothing and lastly to other spending. Now clothing comes first and eating last, and one estimate I have seen indicates that for the first two it will go up about 200 per cent in the last half of 1958. That is partly because demand in the earlier years of the revolution was not, and could not be, satisfied. The peasants now go in for woollen clothes and underwear, while demands for stationery and toilet articles rise all the time. An investigator stressed the demand for worsted yarn and worsted clothes for the colder weather, when far more time is now spent in the open than before, and men and women alike want the latest styles and are particular about quality. And the vagaries of taste must be causing the cadres to raise their hands skyward in despair.

The Party official thinks over the enormous increase of work everywhere, the many millions of standard labourers required alike for the seemingly unending and ever-expanding conservancy works, the pressure for high production on the farms and the demands for the expanding rural industry, and then tries to assess the consequences on consumer demand. He, too, needs an alarm clock as much as the production teams—and they are being demanded at such a rate that in Hunan alone they were sold at a rate of over a quarter million a month.

The anti-literacy drive, once more resumed and this time in greater earnest despite the clashes with so many other high-pressure campaigns, has put nearly everybody to school in such leisure as can be snatched from other things—mostly sleep—and precipitated another leap forward in demand for pen, paper, and even drawing instruments. The old brush and Chinese ink pad are disdained: the people fancy fountain pens. Now at last the Chinese understand the passion of the invading Japanese soldier for that article! Notebooks that had been in warehouses for years have disappeared now without a trace in the countless villages, or rather people's communes. Gold-plated pens which none dared buy before are no longer a drug on the market.

Much of the current leap forward propaganda is just that and cannot be trusted, but since the Chinese seem to enjoy hard work more than most there may be occasional truth in a picture drawn by one zealot of "the happy, encouraging, bustling atmosphere the bumper harvest brings with it, in the broad rural areas, where the peasant groups are everywhere to be seen streaming on their way to report their good news and beating gongs and drums loudly." Clearly they have expectations and will not be put off, or the marketing and distributing cadres will soon know all about it.

People may have to eat out, if not sleep out, but they are becoming insistent on the cleanliness and sanitation of their homes even down to toothpaste and brushes and a personal towel for each.

And now that the whole nation has been ordered to take part in sports on top of everything else, the makers and distributors of sports gear, from footballs and basketball nets and rings to rubber shoes for running, have another large-sized headache to contend with.

Men and women, under almost unimaginable stress and strain more often than not, are putting in five and in some instance ten times as much work as they used to do, and they are beginning to demand satisfaction in proportion.

When the people's communes are soundly established, it is stated, the form of production and the way of life of the peasants will be changed from the foundation up, and the law of market economy will also be changed.

"As the people's commune is more suitable to reform ploughing techniques and farming systems, to increase the area for multiple cropping, to make farm crops ripen in advance and to change one crop to two or three crops, the time for ploughing and harvest will be increased and varied," writes one investigator, concerned with supply, of the situation in the interior. "Thus the variation of the rural market with the off and on of agricultural work will gradually vanish and the festival-like market will become a normal condition. Again, owing to the establishment of the supply and marketing department in the people's communes, the latter will replace the peasants in the activity of exchange of goods. As the commune members are paid wages, the great majority of the peasants, like the urban workers, will appear in the market as consumers only, so the difference between the urban and rural markets

will diminish every day. Furthermore, as the mess halls, kindergartens, welfare homes, and maternity houses will be established everywhere, to expand the welfare service, the rural demand for commodities will be more varied and diversified. Such new things, new conditions, and new changes are bound to reflect on the commercial work and call upon us to dispel superstitions and do away with established rules so as to free our minds from traditional formulae. By that time we shall be able to cast our eyes to the surrounding environment, take care of the market changes, and watch the development of the things around us all the time, to enable our work of purchase, marketing, investigation and inventory to adapt itself to the rapidly progressing and changing conditions." That is a condition devoutly to be desired if the communes are to be a success and the peasant to feel happier than he does as a rule just now, when many must look upon their lot as that merely of beasts of burden. The picture will doubtless be true some day—but a great many bureaucratic heads must roll in criticism and self-criticism first.

Muslims in Soviet Russia

By Raghib Ahsan

I visited the Soviet Union with an open mind and sincere good will for all the peoples of the Union. Being a zealous, convinced and lifelong champion of Islamic socialism and the opponent of interest-based capitalism, landlordism, feudalism, colonialism, exploitation and oppression of man in all forms, I have an inborn sympathy with all movements which stand for the liberation and elevation of man. I had before me the historic declaration of the Russian Revolution of November 15, 1917, signed by Lenin, which had thrilled millions of Muslims all over the world, after the First World War. The declaration was followed by a manifesto, specially addressed to all "toiling Mohammedans in Russia and in the East."

The Russian Revolution's special manifesto declared: "Mohammedans of Russia, Tartars of the Volga and the Crimea, Kirghiz and Sarts of Turkestan, Turks and Tartars of Trans-Caucasia, all those whose mosques and prayer houses were destroyed and whole religion and customs trampled upon by Russian Tsars and tyrants! Henceforth, your faith and customs, your national and cultural institutions, are proclaimed free and inviolable. Build up your national life freely and unhindered. This is your right!" "The Council of Peoples Commissars," ran the Declaration, "has decided to base its works in relation to nationalities on the following principles: 1. Equality and sovereignty of the nations of Russia, and 2. The right of the nations of Russia to free self-determination, including the right to secede and form independent states."

I was eager to know how far this pledge was honoured. I endeavored to see things in the light of this lofty declaration and its actual working in Russia. Recently, the Soviet Union, after the death of Stalin, has started a process of liberalisation and decentralisation. It has championed the cause of the liberation and self-determination of Asian and African peoples, co-existence and friendship with Muslim and Western peoples and opposition to colonialism and imperialism. These are lofty ideals. I sincerely desired to see their application and practice in the great Soviet Union.

By an objective and sympathetic study of conditions on the spot, I have arrived at certain conclusions. For the present, I must confine myself to some broad heads and salient features of the Soviet situation, specially from the Muslim point of view. At the outset I must say that the tour of the Pakistani Ulama delegation in the USSR was not free, but a purely conducted tour. The Russian Embassy in Karachi assured us again and again that the tour shall be completely free and the delegation shall have liberty to make its own programme of tour and enquiries: there shall be no interference from the Government authorities.

"The Iron Curtain," said the Russian Charge d'Affaires in Karachi on June 26, 1957, "shall be removed completely." Actually, this pledge was never kept. The tour was completely a state-managed affair. Its object was to waste time in long dinner parties and prevent the delegation from seeing as much as they could. Every detail of the programme was pre-arranged and pre-determined without consulting the delegation. They wanted to show as little as possible and take all the time in entertainment, as if we were children to be fooled. Out of the Muslim States and Zones of Uzbekistan, Tajekistan, Turkmanistan, Karakistan, Kirghiztan, Azerbaijan, etc., they showed us only the capitals of Uzbekistan and Tajekistan and Samarkand and a few villages. They omitted all other Muslim states, areas, and cities.

In Central Asia, the common saying is: "Samarkand is the world; Bukhara is the strength of Islam." So, we were very anxious to visit Bukhara. But in spite of all our efforts and persistent requests to include Bukhara in the tour programme, they kept us on false promises to take us to Bukhara later, but at the last moment they rejected our request. For reasons known to them, they took special care not to allow us under any conditions to visit Bukhara, the greatest centre of Islamic religion, culture, and power in Central Asia. We feel the Soviet authorities were afraid to show us Bukhara, which is in bad shape and in ruins. It is also the centre of Muslim resistance. A visit to Central Asia without a visit to Bukhara is like playing Hamlet without the Prince of Denmark.

In fact, most of the 11 days allotted to see Central Asia were wasted in Tashkent, the Russified capital of Uzbekistan, and the greater part of the time was occupied in showing us some old mosques and tombs, which had only some old grey-haired elders and few or no young men at all as worshippers. On June 30, by way from Kabul, we first landed at Tirmiz, the birthplace of Hazrat Imam Tirmizi, the great Traditionist. We were sorely disappointed that the authorities so arranged the programme of the tour that we were not allowed to leave the airport and visit the city and the tomb of the Imam. This was the first great disappointment.

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Atheism and dialectic materialism is the State religion of the Soviet Union. Hostility and ceaseless war on all theistic religions is the only religion for the Communist Party. All other religions and religious systems, according to the Marxist theory and practice, are to be gradually rooted out for the complete establishment of the Communist society in which all vestiges of religion and private property shall be finally liquidated. "We remain atheist," declares Nikita Khrushchev, the Secretary of the Communist Party of the USSR, "and we will do all we can to liberate a certain portion of the people from the charms of the religious opium that still exists."

The Kazak language broadcast from the Alma Ata Radio in Kazakstan declares: "In spite of protests of Muslims outside the Soviet Union, the official Soviet line on Islam continues to be that Islam is nothing more than a reactionary device, originated, developed, and maintained by exploiting classes."

The large Soviet Encyclopedia (1953 edition, Vol. 18) contains a most slanderous attack on Islam. It concludes its article with the remark: "In the USSR as a result of the victory of socialism and the liquidation of exploiting classes, the social roots of Islam, as of every religion, have been destroyed. In the USSR Islam exists only as a survival of one form of the ideology of the exploiter society."

My observation of the actual conditions of the Muslims and Islam in the Soviet Union confirms every word of the above-quoted official policy and statement on Islam in the USSR. There were over 27,000 "masjids" in Turkestan before the Communist revolution. But now only a few remain. In Moscow, there were four masjids, but now one, named Jame Tartar, remains, and that too opens only once a week on Friday for only Juma prayers. The masjid at Leningrad, built by Amir Bukhara in 1910 before the Revolution, opens only on Friday for Juma prayers. In all, we were shown 18 mosques in Tashkent, four in Samarkand, three in Stalingrad, one in Moscow, and one in Leningrad. In Samarkand, some aged Muslims, with tears in their eyes, told us that a few mosques had been released and opened only recently, say two or three years ago, and that the Muslims had suffered terrible persecutions.

The young generation is educated in atheism and openly abuse their elders, ridicule Allah and the Quran. The mosques shown to us were all old and recently repaired and white-washed, evidently to impress the visitors. Only at the new town of Stalinabad did we see one new mosque.

The tomb of Imam Bukhari near Samarkand was in wretched condition. It had no roof and no inscription. Its floor was "kutcha" of clay. Its masjid was in ruins. We could offer "namaz" only in its verandah and not in the masjid, which was not fit to be used as a prayer hall. The tomb of Khwaja Yaqub Charkhi, near Stalinabad, was in the same condition of ruins. Its masjid was in ruins, closed and not used as a prayer hall. We offered "zohar" prayer in "jama at" under trees near the old masjid of the Khwaja. The name of the village was Qariya Yaqub Charkhi, but now it has been officially changed to Lenin Kulkhoz.

The great palatial and royal "madrasahs" of Samarkand—Madrasah Bee Khanum, built by the Queen of Amir Tamerlani; Madrasah Registan; Madrasah Shet Dar, built by Amir Taimur; Madrasah Zakhlia; Madrasah Olugh Beg—were all in ruins. A minaret of the Madrasah Olugh Beg has fallen, and the other is about to fall down. Similar is the condition of other monuments. They are the loftiest, noblest, and grandest of buildings, but unless they are repaired, they will be effaced.

Bukhara, the spiritual capital of Turkestan, had 350 big Arabic and Islamic madrasahs which attracted thousands of students from Central Asia, European Russia, and Caucasia. The Communists destroyed all the madrasahs and almost all the masjids of Bukhara. Now they have restarted only one madrasah, Mir Arab, but we do not know what its real status is as we were not allowed to visit Bukhara. There were many madrasahs in Andjan and other centers. They were all destroyed and their palatial building used for secular purposes and even converted into theatres and dancing halls. Bukhara, Andjan, and other centres of Islamic culture are in ruins.

The President of the Government Nezarat Deeniya, Tashkent, Qasi Ziaudiddin, admitted that all "waqfs" were confiscated and cancelled. The few acres left round a few historic tombs and mosques are hardly sufficient to repair and maintain the masjid. The Nezarat Deeniya tries to repair a few masjids out of the charity boxes kept at the tombs of a few great saints which attract Muslims.

On July 1, the delegation had a special interview with Mr. Amin Jan Kaderov, Education Minister of Uzbekistan, at Tashkent. He declared that the State could not provide for education in religion as the State and education were based on Marxism, Communism, and dialectic materialism. All education was secularised and made compulsory for the primary section. There was not a single "Qurani Maktab" or primary school with "Deeniyat" anywhere. In Bukhara and Tashkent, two Arabic madrasahs were said to be maintained for training Imams, Khateebs, and Qazis. But we could not see any madrasah, for they said they were closed for the holiday. In Tajakistan there was no "maktab" and no madrasah.

The Prime Minister of Tajakistan, Mr. Nazir Shah Dad Khudaov, strongly rejected our plea to open "quranic" maktabs and madrasah, declaring that it was against the State's ideology and policy. There were many Islamic libraries in Bukhara, Samarkand, Andjan, and other centres, containing millions of Arabic, Persian, and Turkish books and rare manuscripts. All these priceless treasures of Islamic science, arts, and culture were burnt and destroyed. One big Islamic library, containing 500,000 volumes, was burnt to ashes. All houses were combed and copies of the Quran and books on religion were forcibly taken away and burnt.

Special Problems of Fisheries in Poor Countries

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PART II

Utilization of Natural Resources and Methods of Production Idle Resources

Idle Resources

It has been well said that the greatest of the obstacles to the development of fisheries, greater and more primary than capital shortage or technical difficulties, is ignorance. Ignorance of opportunities and possibilities is the most widespread characteristic of fishing, considered as a world industry.

It is in these connections that we must begin to emphasize the stark contrast between the developed and underdeveloped parts of the world, from the point of view of fisheries. For an effective graphical illustration, see the map on page 56 of the *Oxford Economic Atlas of the World*.[14] It shows how something like 80 per cent of the world's fish catch is in the hands of countries (mostly highly developed, and all in the Northern Hemisphere) which occupy something like 15 per cent of the world's shoreline.

We may cite a statement recently made in Communist China, on the under-utilization of fishery resources,[15] as an interesting example:

"Our country abounds with aquatic resources; and was the earliest country to engage in fish breeding. Fishing grounds in our territorial waters amount to 436,000 square miles, occupying the first place in the world. If the world's average yield per square mile of fishing grounds is 10 tons of fish a year, we can produce 4,360,000 tons of fish annually. The total area of rivers and lakes in our country amounts to 300 million *mow*, which may yield 1,500,000 tons of fish a year at the yearly rate of 10 catties per *mow*. Besides, the acreage of ponds and paddy fields in which fish may be bred is about 300-400 million *mow*, capable of yielding 1,500,000 tons of fish a year. In total, the annual output of fish throughout the country may reach at least 7,360,000 tons. This quantity of fish is the equivalent of the meat of 20,000,000 head of cattle, or 70,000,000 pigs, or of 300,000,000 sheep." These figures should be compared with 2.4 million tons of fishery output currently produced in China. How is this general condition of under-utilization to be explained?

Sectoral Analysis

In order to answer this question, three technical levels or sectors must be distinguished in the industry as a whole; and it must be recognized that in the underdeveloped regions these three levels are much more distinct and disparate than in the advanced countries. In the underdeveloped countries they appear practically as three separate branches of the industry, with the lower—less mechanized and less scientific—levels predominating.

On the production side, the three divisions are:

A. OFFSHORE AND NEAR-SEA FISHING—This is comparatively local-based, or zonal. It utilizes small craft. It is primarily concerned with demersal stocks.

B. INLAND FISHERY—Lakes and pond culture are so far mainly in question. In some Asian countries fish culture in paddy-fields, and sometimes in tanks, also figures. River-fishing is extraordinarily little developed in the poor countries. This is usually no less local-based, and is closely linked with agriculture.

C. DEEP-SEA OR LONGER-RANGE FISHING—This is primarily dependent on pelagic stocks. In this field there is distinctly higher mechanization and more occupational and geographical specialization, as well as a wider market basis, up to the point of entering substantially into international trade.

[14] Oxford University Press, 1954.

[15] Chiang Hai, "Development of Aquatic Products Enterprises in China", *Shih Shih Shoh Tse* (Current Events), No. 7, April 10, 1956, (In Chinese).

Clearly, *A*, the offshore, purely local and primitive—largely mere subsistence—type of activity predominates in the poor countries, and this explains why their fishery output is so low compared with that of developed countries. More particularly, type *A* predominates heavily in South and South-East Asia, the central part of the region which is here specially considered. As we move towards its North-Eastern part (to Hongkong and China, and on to Japan) inland and fish culture activities *B*, and the more highly-organized deep-sea activities *C*, tend here and there, as a general rule, to show more development already. At the same time, the degree of urbanization, of economic and social evolution away from the subsistence and non-monetarized basis shows a very similar correlation from *A* through *B* to *C*.

It is analytically useful to bear this perspective in mind throughout. Thus we may note that various key indicators or developmental factors vary between the three sectors. For example, the degree of capitalization is lowest in *A*, rising through *B* to *C*. Insofar as development policy seeks to find less capital-intensive methods, it may favour sector *A* or *B*, but to the extent that industrialization is the criterion, the stress will be as far as possible on *C*. Propensities and abilities to save and invest, and thus the possibilities of mobilization of domestic capital, are low in *A*, moderate in *B*, and relatively high in *C*. The scope and applicability of foreign aid or technical assistance are in the reverse order, descending from *C* to *A*. The prospects of increasing returns to education, organizational effort, etc., may well be greatest in sector *B*, next greatest in *C*, and least in *A*. Community projects may be most applicable to *A*, whereas extension services would be most applicable in sphere *B*.

Marketing, distribution and consumption broadly reflect the same pattern. They are similarly localized and restricted in scale—in the poor countries much more markedly than in the advanced ones—by the three sectors, in the order of *A*, *B*, and *C* above. Broadly speaking, the offshore catch reaches consumption on a local or district scale; the inland catch may attain a district to national scale; the deep-sea catch more surely markets on a national scale, and beyond it into international trade.

To conclude this part of our analysis, we would stress the necessity and economy of correlating and integrating all fishery plans and projects into the general structure and balance of planning and policy in each national case; this is rather insufficiently realized at present. The location of each type of activity obviously demands correlation with general plans of transport development and the like; but it may less easily be perceived, for instance, that a project for inland fisheries development might share its overhead costs rather widely with projects in such domains as public health, education, co-operativization, etc., in an overall rural development scheme.

Labour: Sociological Aspects

The Integration of Labourer, Capitalist and Entrepreneur in a Producing Group

It is clear that the approach, over a wide part of our topic, must be very largely that of the sociologist or the social anthropologist. Only at a few points, as yet, can we go very far from a background of pre-capitalistic social conditions into analysis in purely economic terms.

Thus applies most strongly to the labour factor and to the first and second of our three sectors of the industry—*A* offshore fishery and *B* inland fishery. *A* represents very largely the primitive village society, in its various aspects, merging into the peasant society. *B* broadly represents the agricultural, peasant, traditionalist category. *C*, deep-sea fishery, takes us into the world of the more urbanized, evolved and modernized communities or groups.

Professor Firth, in his outstanding work on this topic[16] conjoins the terms "fishermen" and "peasant economy": "A Malay or Indonesian fishing economy has close structural analogies with a peasant economy and . . . may even be treated as a species of it." But, he stresses, "the term 'peasant' if applied to Oriental peoples has a rather different meaning than when applied, as it historically is, to a European community."

The relationship to the land factor is different; tribal, village, clan or other social-group forms of ownership and organization may figure, rather than individual forms. "The concept of a set of independent producers has then to be modified to one of an *interconnected producing group*." The connections may be economic, marital, residential, cultural, and of many other kinds. Often there is a dual economy of fishery and agriculture, with division of labour between the seasons, between the sexes, or in other ways. The forms and sub-types are many, but in general "the economy does not function mainly by its dependence on external markets, nor do its providers of capital constitute a separate class, nor has its elementary capitalism developed any concomitants of extensive wage-labour and complete divorce of the worker from control of the means of production.". Equipment is drastically simple. Production, distribution, ownership, management rewards and other functions are not highly differentiated. Economic relationships "reach out" far beyond the immediate economic actions, into such realms as obligations of kinship and other social relations.

Professor Firth warns, however, against the impression that the behaviour is "non-economic" from a Westerner's point of view. The same processes, essentially, are at work: but in a much more complex framework and conditioning. Thus we must avoid ex ante speculation based on human nature in general, abstain from "transference of ideas about our own" (westernized) "ways of behaving", and observe empirically.

A Comparison with Agriculture

An instructive way towards understanding the functioning of the producing group in fisheries in poor countries is to draw a comparison with agriculture. Especially cogent points, from an analysis as Professor Firth's, are the following:

Whereas agricultural yield is seasonal, the yield from fishery is one of daily increments. Long-term planning is still necessary to the fishermen, but short-term planning looms relatively larger. There is much opportunity for the entry (and exit) of the marginal worker—even casual work. The fisherman's income is uncertain and irregular, "he must think of saving in smaller increments . . . For both (the farmer and the fisherman) saving lies in abstention. But while for the agriculturalist it is the problem of abstention from drawing on a store already there, for the fisherman it is the problem of abstention in order to accumulate a store." The agriculturalist's storage problem, further, is almost entirely one of space; "but the fisherman's catch . . . needs more labour and equipment for its preservation. Hence the tendency to a greater development of middlemen . . ." We shall revert to this problem of middlemen in part 4 of this paper.

Professor Firth notes, further, that "the agriculturalist's main crop is usually also his staple food, but the fisherman does not live mainly on fish. For him exchange . . . (or part-time agriculture) is a necessity." "The nature of the production unit is different also." Agriculture is widely a whole-family, or whole-village, affair. Fishing is wholly for men, in the work at sea, though women and children can participate in the secondary processes ashore. Fishing offers more scope for co-operation in moderately large groups; but "with this there is more tendency for complex systems of distributing the earnings to arise." Finally, investment in fishery is less permanent than investment in land; "the provision of capital is apt to involve risks of a different order, and to attract investors of a different type."[17]

In none of these aspects can labour in fisheries be treated, therefore, in abstraction from the complex social backgrounds, or analysed separately as a factor of production.

Class Limitations and Ignorance

There are two other main features which must be mentioned as bearing especially on the labour aspect and as strongly influencing the sociological background.

The first of these features is the fact that fishing is at best a low-class occupation. There are sometimes strong prejudices against the fisher-folk. In Buddhist countries, for instance, from Ceylon eastwards, fishing tends to be regarded as ignoble, since it involves the taking of animal life. Even in Japan, a faint aura of the *eta* (outcast) still hangs over some aspects of the industry.

Connected with this is ignorance. It affects all levels of the industry; though most greatly, of course, the backward workers in the subsistence sector A, somewhat less the inland sector B, and distinctly less the "modernized" sector C.

Fishermen in poor countries are heavily ridden by superstition, custom, convention and prejudices. Often they have, at best, a "rule of thumb" knowledge of the best fishing grounds, methods, etc., or depend on almanacs and fortune-tellers. An extreme instance may be cited from Sierra Leone, where fishermen are controlled by "middlewomen," and fear that these women may harm them by means of magic.[18] Market knowledge is of course widely lacking, and there is also lack of knowledge of internal economies, possibilities or advantages of division of labour, etc. External economies are to a wide extent non-existent, or their possibilities uncomprehended. Knowledge of the importance and uses of by-products, oil, manure, etc., is extremely limited and badly diffused.

The Problem of Indebtedness

The other feature which is particularly important from the economic point of view is the prevalence of indebtedness, which is a chronic condition, deeply ingrown into such societies and strongly characterizing their relationships of dependence. "A recent report by the Fishery Office, Aden, which applies almost anywhere, puts the position clearly: insolvency has become the normal state of the majority of Aden fishermen. It is a fact that a large part of the fishing population actually prefers to be in debt . . . the more heavily a man is in debt, the more certainly will his creditor support him through hard times in order to exploit him in the future."[19]

We should not think, however, that the indebtedness is cheerfully accepted by the fishery folk in poor countries in general. On the contrary, it is commonly regarded as one of the main evils of the fisherman's life. Seldom, however, can he see any other way out but sing:

"The fish are hard to net;
Taxes are heavy, we are in debt.
From father to son—
Poor are the fishermen, every one!"[20]

Indebtedness, as a permanent feature, is detrimental to any prospects of fishery development. It kills production incentives because the fisherman fears constantly that any increase in his effort will be immediately appropriated by the middlemen, either in the form of repayment of debt or through lowering the prices. The solution of this incentive problem is thus of very great importance.

Concluding this section of our analysis, we have to stress that as far as the labour factor is concerned there is enormous scope for education, on the most elementary as well as the vocational plane. There is a need for thinking constantly in terms not of a single worker or wage-earner, but of a "producing group." Instead of a wage-system, the share-system is the predominant one; therefore the economic position of the "producing group" and its members is highly sensitive to changes in the market price of the product. Often, the instability of the fishermen's income makes them an easy prey to unscrupulous merchants. All this shows that way to improvement, in the labour field of fishery economics in poor countries, is through the re-organization of the system of financing and marketing of fishery products.

(To be Continued)

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[16] Raymond Firth, *Malaya Fishermen: Their Peasant Economy*, London, 1946, pp. 22-27, and passim.

[17] Firth, loc. cit.

[18] *Report on the Sea Fisheries of Sierra Leone*, Freetown, 1947, p. 32.

[19] United Nations, *Special Study on Economic Conditions and Development in* Non-Self-Governing Territories, 1952, p. 135.

[20] Free translation of a Chinese folk-song, "Song of the Fishing Lights".

The Iron and Steel Industry of Japan

1. Postwar Iron And Steel Industry Of Japan

It was in 1901 that Japan's iron and steel industry initiated its first step with the operation of the Yawata Iron And Steel Co. It has shown steady development ever since. The growth of the iron and steel industry had to depend a great deal upon the state protection and support because enormous fixed capital was required, profit rate was low, and technical difficulties were numerous. It can also be said that Japan's iron and steel industry developed on a sustaining demand from military quarters, as well as being the foundation for the various fast-growing industries. But this state of affairs was completely reversed by the end of the war.

The so-called "Zaibatsu" were disbanded and all enterprises were transformed into peaceful industries. Thus, the iron and steel industry—which had been nurtured through financial and legal protection—was dealt a devastating blow by the extinction of military demand, the loss of raw material and fuel supply sources, and economic and social instability. Thus, the gigantic facilities having an annual production capacity of 5,660,000 tons of pig iron, 8-million tons of ordinary rolled steel products, and 900,000 tons of special rolled steel products which remained at the end of the war lay idle, the 1946 production being less than 10 per cent of the wartime peak.

Production at War Termination
(Unit: 1,000 tons)

	Prewar Peak (A)	1946 (B)	B/A (%)
Pig Iron	4,256	203	5
Crude Steel	7,650	557	7
Rolled Steel Products	5,127	426	8

Source: Japan Iron & Steel Federation: Statistics of the Iron & Steel Industry of Japan, 1958.

Nevertheless, the output of ordinary rolled steel products in 1948 recovered to the level exceeding 1,200,000-tons. What made this rapid rehabilitation possible? It was the national demand for reconstruction materials, on one hand, and the import of steel raw materials and fuel with foreign aid funds granted to Japan, various subsidy measures using the state funds such as financing for investments in plant equipment from the counterpart fund and the Reconstruction Finance Bank, and the price differential subsidy system adopted from around mid-1947, on the other.

This type of the state funds accounted for a high proportion—65 per cent—of the aggregate funds used by the iron and steel industry in the five years from 1946 to 1950.

On the other hand, let us observe the demand for iron and steel during the same period. It was estimated that consumption by the National Railways, coal mining industry, synthetic fertilizer industry, Occupation Forces and the iron and steel industry itself accounted for from 55 to 60 per cent of the total. Because these demands were primarily created by the state funds or state credit, it can truly be said that the iron and steel industry in effect was built up by the state in postwar years. It was natural that the iron and steel industry could not be permitted to enjoy for long the protection from the state funds as its rehabilitation moved forward. There came a time when the reduction or the abolition of various subsidies was actively discussed.

The disbursement of these subsidies not only assisted the recovery of key industries but also as a key link in the series of low price measures, benefited all industries through cost-saving. But on the other side of the question, critical views were expressed regarding the aspect that subsidies aggravated the position of the state finance and were a heavy burden upon economy as a whole or put the brakes on the efforts toward rationalization of enterprises.

Thus subsidies were gradually reduced during the 1949-50 period with the enforcement of the Dodge Stabilisation Plan. The ultimate objective of this plan was to attain economic self-support through export expansion. But it chanced that export did not swing up as desired because the world market turned into a buyer's market and foreign exchange rate cuts were carried out by the United Kingdom and many other countries, etc. Thus, the iron and steel industry for the first time confronted the problem of markets.

Trend of Japan's Iron and Steel Production
(Unit: 1,000 tons)

	Pig Iron	Crude Steel	Rolled Steel Products
1946	203	557	426
1947	347	952	636
1948	808	1,715	1,201
1949	1,549	3,111	2,220
1950	2,233	4,839	3,566
1951	3,127	6,502	4,898
1952	3,474	6,988	5,051
1953	4,518	7,662	5,611
1954	4,608	7,750	5,765
1955	5,217	9,408	7,129
1956	5,987	11,106	8,616
1957	6,815	12,570	9,891

Source: Japan Iron & Steel Federation: Statistics of the Iron & Steel Industry of Japan, 1958.

But the business stagnation under the Dodge Stabilisation Plan was liquidated by the sudden increase in special procurement and export with the outbreak of the Korean War in June, 1950. During the Korean War period, iron and steel production expanded conspicuously, recovering its approximate prewar level. Furthermore, availing itself of this opportunity, the industry invested Y120,000-million ($333-million) over a period of five years for plant and equipment improvement centring on the rolling division, that is blooming mills and hot and cold strip mills, with the aim of catching up to the technical level of advanced Western nations which rose at a rapid pace after the war. This enabled the realization of satisfactory results as to plant and equipment modernization, increased capacity, higher production efficiency and reduction of cost.

During the course of this programme, however, Japanese economy was confronted with a foreign exchange crisis because of too rapid an expansion. During the 1953-54 period, the enforcement of the tight money policy and the retrenchment budget as counter-measures became inevitable. The iron and steel industry also could not but undergo an adverse turn, the stagnation or reduction of production.

With the coming of the second half of 1954, the market gradually turned for the better. Subsequently, iron and steel demand expanded as increases were seen in investments in plant and equipment and production of consumer durable goods. Eventually, demand exceeded supply in 1955 and iron and steel prices zoomed. Production of rolled steel products exceeded 7-million tons in 1955, reaching the upper limit of steel material supply. Similar trend continued in 1956 and thereafter. Even the output of rolled steel products for 1956 aggregating 8,600,000 tons was in short supply and market quotations soared. The situation in the second half of 1956 was such that steps to meet the demand through export curtailment and large-scale import increase became unavoidable. Consequently, it could not help but retreating from established overseas markets.

With the coming of 1957, this excessive development of economy made itself felt in the form of a sharp deterioration of the balance of international payments. Ultimately, monetary restraint measures were again enforced. The upshot was that domestic demand gradually fell off, export also became top-heavy affected by worldwide business recession, and the iron and steel industry found itself in a position wherein plant operation curtailment could no longer be avoided.

2. The Future Of Japan's Iron And Steel Industry

(1) Raw Material Shortage And Its Counter-Measures

It has been estimated that the maximum of domestic iron ore production is 1,500,000 tons a year. Consequently, the degree of dependence upon foreign sources of supply will become greater as iron and steel production increases. It is mentioned that 90 per cent of the required total for the 1956-57 period was imported. The import of iron ore in 1957 exceeded 10-million tons and the urgent necessity of developing overseas iron ore sources has been keenly felt.

As to the aspect of demand, there is seen active plant and equipment investment arising from general technical reform and automation and the demand for large-dimension structural steel products has increased. The upswing of the demand for steel sheets is also forecast as the demand for and the steel

consumption in the field of consumer durable goods are growing in conjunction with the rise of the living standard. In order to meet this demand, the steel industry must choose the alternative of importing steel products or increasing domestic production capacity.

But first of all, the dependence on imported steel products is not desirable, because instability in both supply and price cannot be avoided, particularly when consideration is given to the fact that this industry bears the responsibility—as one of the basic industries—to supply steel products at prices both stable and low.

Supply of Iron Ore

(Unit: 1,000 tons)

	Total Supply (A)	Import (B)	B/A (%)
1935-1944 Average	5,260	3,960	75
1948-1957 Average	5,290	4,320	82

Source: Japan Iron & Steel Federation: Statistics of the Iron & Steel Industry of Japan, 1958. As major iron and steel raw materials besides iron ore, pyrite cinder and iron sand must be added.

Such being the situation, efforts must be directed toward the expansion of domestic steel production capacity. Be that as it may, the use of imported iron and steel scrap as raw material invites instability of steel prices because the price of scrap is markedly speculative.

From this standpoint, it becomes essential to introduce into Japan a steel-making process which is not conditioned by iron and steel scrap—namely, the converter process.

In connection with the expansion of steel-making capacity, it is also essential to secure raw material sources on lasting, large-volume, and stabilized basis.

Centring on this type of renovation of the productive structure, investment is concentrated on the below listed phases:

(a) Large-scale development of overseas iron ore resources and improvement of loading facilities therefor. (b) Construction of ore carriers and the reduction of marine freight by their use. (c) Renovation and improvement of harbour facilities sufficient to meet the utilization of special-type ore-carrying vessels and the expansion of plants. (d) Reduction of iron and steel production cost through added installations of modern large-volume blast furnaces and the raising of the ratio of pig iron to steel scrap in steel-making through increased pig iron output. (e) Cut-down of steel ingot cost and the reduction of the dependence on iron and steel scrap through enlargement and modernization of open hearth furnaces and the adoption of oxygen top blowing converters. (f) Rationalization of operation and elevation of the quality of steel products through new and additional installations of large-size blooming mills.

(2) Long-Term Iron And Steel Supply-Demand Programme

(a) Long-Term Supply-Demand Programme

The volume of iron and steel consumption is said to be the measure of the cultural level of a nation. Japan's per capita consumption of iron and steel has continued to rise sharply and it exceeded the 100-kilogram level in 1956.

Japan's Per Capita Steel Consumption

(Calculated In Terms Of Crude Steel)

	kg.
1948	21
1949	35
1950	50
1951	63
1952	59
1953	78
1954	73
1955	81
1956	109
1957	142

These figures are, however, far below those for United States (600 kilograms) and United Kingdom, Belgium, France, etc. (200 to 300 kilograms).

Viewed from this angle, and also from the standpoint of future population increase, it is possible to forecast that Japan's iron and steel consumption will naturally continue to increase in the years to come.

The actual postwar production has shown sharp expansion and figures shown in principal postwar economic programmes have all ended as under-estimates.

The latest MITI's Five Year Programme has revised the conservative position to eliminate the defects of the various iron and steel supply-demand formulas of the past and has set the annual rate of the upswing of ordinary rolled steel products at 8.2 per cent, a figure equal to the estimated rate of increase for total mining and manufacturing production.

Various Plans for Iron and Steel Supply in Japan

(Unit: 1,000 tons)

	Target Year	Pig Iron	Steel Ingot	Steel Products
Economic Stabilization ..... Board 1st Draft Plan	1953	Import 480 1,850	3,840	2,770
GHQ Plan (1950)	1953	3,200	4,200	3,200
Paley Report (1950)	1975	5,900	11,600	—
6-Year Economic Programme (1955)	1960	7,040	11,173	7,650
5-Year Iron & Steel Programme, MITI (1956)	1962	13,090	20,150	Import 570 14,730
MITI Scheme (1956)	1975	18,600	25,190	—

Source: Ministry of International Trade and Industry (MITI), Five-Year Iron and Steel Programme.

What is worthy of special attention is the fact that the nucleus of the programme under consideration is the plan to construct pig-to-steel integrated process plants, placing emphasis on pig iron production and steel-making division in comparison to the First Steel Industry Modernization Programme (1951-55) which had for its goal the modernization of obsolete facilities centring around the rolling mill division.

Thus a blueprint for a great expansion in production was drafted in preparation for future upturn in demand. To this end, principal steel producers are planning to construct 22 converters and 11 blast furnaces.

Though the question of the construction of additional converters and blast furnaces could be solved through selective investment measures, a problem still remains as to how to obtain necessary raw materials such as iron and coking coal.

Integrated Table, 5-Year Iron and Steel Programme

(Unit: 1,000 tons)

				Fiscal 1958 (A)	Fiscal 1962 (B)	B/A (%)
Pig Iron	Blast Furnace			7,200	12,450	173
	Others			460	640	139
	Total			7,660	13,090	171
Crude Steel	Open Hearth			9,650	12,080	125
	Converter			860	4,770	555
	Electric			2,250	3,300	147
	Total			12,760	20,150	158
Finished Products	Ordinary Rolled Steel Products	Demand	Domestic	8,250	12,800	155
			Export	800	1,210	151
			Total	9,050	14,010	155
		Supply	Domestic Production ...	8,950	13,440	150
			Import	100	570	570
			Total	9,050	14,010	155
	Special Rolled Steel Products			580	1,290	222

Iron Ore Programme

(Unit: 1,000 tons)

		Fiscal 1958 (A)	Fiscal 1962 (B)	B/A (%)
Domestic	Iron Ore	1,400	1,350	96
	Pyrite Cinder	1,600	2,000	125
	Iron Sand	1,400	2,230	159
	Other Raw Materials	1,600	2,000	125
	Total	6,000	7,580	126
Imported Iron Ore		7,827	15,835	202
Ratio of Imported Iron Ore Used		57%	97%	—
Total		13,827	23,415	169
Necessary Import Volume		7,270	16,300	224
Source of Import	Philippines	1,080	2,250	208
	Malaya	2,300	4,300	187
	India	1,200	2,300	191
	Goa	1,150	1,800	156
	Canada	600	1,000	167
	South America	100	1,000	1,000
	United States	200	800	400
	China	400	2,300	575

Source: MITI, Long-Term Iron and Steel Raw Material Programme.

As regards iron ore, further increase of domestic production cannot be expected. Thus, the forward march of the above-mentioned programme means higher dependence on foreign ore. In respect to future import sources, not only will maximum import be counted on from established mines in the Philippines, Malaya, South America, etc., but increased shipment is also reckoned with from the improvement of loading facilities in Goa and from other areas that are expecting new ore exploitation. As to Communist China, it is expected that she will become an important iron ore supply source in the future, side by side with India.

Coal Programme

(Unit: 1,000 tons)

	Fiscal 1958 (A)	Fiscal 1962 (B)	B/A (%)
Domestic Coal	4,760	5,760	121
Imported Coal	3,590	9,180	256
Total	8,350	14,940	179
Ratio of Imported Coal Used	43%	61%	—
Necessary Import Volume	3,540	9,800	277

Source: MITI, Long-Term Iron and Steel Raw Material Programme.

In respect to coking coal, hope is placed in the import of a considerable volume, similar as in the case of iron ore, because of the levelling off of domestic coal output. United States accounts for 80 per cent of the coal imported by Japan in recent years. It is hoped that coal import from less-distant areas such as Southeast Asia will increase in the future.

Regarding iron and steel scrap, more than one-third of the Japanese consumption has been imported, of which 80 per cent comes from the United States. The supply-demand programme anticipates that return scrap will increase at a rate approximately equal to the increase of iron and steel production.

The programme also aims to contribute toward more stable prices for steel product by checking the upswing of scrap consumption by raising the pig-iron-to-steel-scrap ratio through the large-scale adoption of the converter steel process and through new construction or remodelling of blast furnaces.

Iron and Steel Scrap Programme

(Unit: 1,000 tons)

		Fiscal 1958 (A)	Fiscal 1962 (B)	B/A (%)
Consumption	Home Return Scrap	3,260	5,050	155
	Home Purchase Scrap	3,780	5,090	133
	Imported Scrap	2,450	2,910	119
	Total	9,490	13,050	138
Necessary Import Volume		2,190	2,910	133
Portion of American Scrap		1,710	2,310	135
Ratio of Pig Iron to Steel Scrap in Open Hearth Furnace		55.0%	55.5%	—

Source: MITI, Long-Term Iron and Steel Raw Material Programme.

(b) Post Programme Iron And Steel Industry

According to this programme, it is estimated that in the target year of fiscal 1962, the production of blast furnace pig iron will reach 12-million tons, crude steel 20-million tons, and ordinary rolled steel products 13,500,000 tons—a boost of approximately 60 per cent of that for fiscal 1958.

We have called this the second modernization programme and an aggregate outlay of approximately Y450,000-million is scheduled during its five-year term.

In detail, the programme focuses priority upon the expansion of production capacity of unfinished materials centring on blast furnaces and converters. In addition, it is designed to expand and improve the rolling division with an aim to strengthening international competitive power and to meet fully the demand for rolled steel products.

From the standpoint of the rate of increase of production capacity, it is significant that whereas the first modernization programme resulted in the marked expansion of strip mill rolling capacity, the second programme sets a high rate for converters though the expansion in the rolling division, i.e., blooming mill and hot and cold strip mill, is also considerable.

The below table reveals the condition of Japan's iron and steel industry when the five-year programme is completed:

Plant and Equipment Investment Percentage Table

(Unit: %)

		1st Modernization Programme	2nd Modernization Programme
Pig Iron Production Division		14%	26%
Steel Production Division	Converter	11	7
	Others		2
	Total	11	9
Rolling Division		46	45
Others		29	20
Grand Total		100	100

Source: MITI, Details of Iron and Steel Industry Plant and Equipment Investment Programme.

Japan's import of iron ore will aggregate 16-million tons and that of coking coal 9-million tons a year. The import of raw materials will be more than double the pre-programme level and they will be unloaded quickly from large-tonnage special carriers tied up at docks exclusively for their use.

As the result of the enlargement and modernization of blast furnaces in the pig iron and steel production division, there will be 13 units with a daily capacity exceeding 1,000 tons among the 35 units that will be operating in 1962.

Facilities for preparatory process on raw materials will be perfected and ore-bedding and pelleting systems will be fully adopted. Sintering plants will also be completed.

Pig Iron Production Volume per Blast Furnace per Day

(For 1953. Unit: ton)

United States	834
Japan	* 585
West Germany	356
Saar	298
England	294
Luxemburg	294
Belgium	257
France	238

* The figure for Japan is estimated to reach 974 in 1962.

Rate of Increase of Production Capacity

Under Modernization Programme

		1st Programme (Fiscal 1951=100)	2nd Programme (Fiscal 1957=100)
Pig Iron Production		214	165
Steel Production	Open Hearth & Electric Furnace	115	112
	Converter	139	640
	Total	116	146
Blooming Mill		134	207
Hot Strip Mill		704	240
Cold Strip Mill		729	257
Plate Mill		138	226
Shape & Section Mill		139	113
Wire Rods Mill		146	108
Seemless Steel Tube Mill		98	100
Welded Pipe Mill		236	167

Source: MITI, Table of Capacity Trend of Major Iron and Steel Facilities.

Table of 2nd Modernization Programme of Big 6 Manufacturers

	Required Capital ($1-million)	Fiscal 1962 Steel Production (1,000 tons)
Yawata Iron & Steel Co., Ltd.	322	3,290
Fuji Iron & Steel Co., Ltd.	277	3,600
Nippon Steel & Tube Corporation	145	1,930
Sumitomo Metal Industries, Ltd.	154	820
Kawasaki Steel Corporation	72	690
Kobe Steel Works, Ltd.	34	290
Total for 6 Companies	1,004	10,620
All-Japan Grand Total	1,217	12,450

Source: MITI, Iron and Steel Industry Plant and Equipment Investment for Fiscal 1957 and 1958.

As a result, the blast furnace pig iron production will reach 360,000 tons per furnace per year (30 per cent increase over pre-modernization figure) and the total output will register 12,450,000 tons per year (95 per cent boost over pre-modernization figure). In this manner will be achieved the lowering of raw material consumed per ton of finished product and the cut-down of the cost of pig iron.

Steel production capacity will see a conspicuous expansion because all steel manufacturers will vie with one another to adopt the oxygen top blowing converter process.

The general adoption of the converter system will bring about a conspicuous reduction in fuel cost, diminish the influence of fluctuating iron and steel scrap prices, and make possible the supplying of steel products at both stabilized and lower prices.

Ratio of Different Steel Production Methods

	Japan		1950-54 Average			
	1953-57 Average	Fiscal 1962 (Planned)	U.S.	U.K.	W. Germany	Belgium
Open Hearth	81	60	89	87	55	11
Converter	4	24	4	7	41	85
Electric, Others	15	16	7	6	4	4
Total	100	100	100	100	100	100

For the modernization of the rolling division, 45 per cent of the total scheduled outlay is earmarked in the present programme. As the result, blooming mill capacity will double the pre-programme figure; quality of the product will become more uniform in parallel with higher level of efficiency because the use of large-size steel ingot becomes possible; and the lowering of cost will be realized.

Furthermore, the expansion of both hot strip mills and cold strip mills will be carried out in line with the reinforcing of blooming mills. The revolution of the steel rolling method, i.e., from the pull-over process to the wide strip system, will be all the more advanced. All in all, quality will be improved and cost will be reduced.

In the steel plate department also, the production of wide-width steel plate will become full-scale, and in the galvanizing department, continuous galvanizing line will become full-dress as steel sheets come to be produced by strip mill.

In the steel tube department furthermore, the manufacture of high grade large-diameter seemless pipe to meet overseas demand for oil tubular goods will be initiated in the first phase of the modernization programme and the production of continuous butt-welded pipe will also be inaugurated. And as to the manufacture of rolling stock parts and accessories, the production of solid rolled wheels will come to take the place of cast steel centres.

In all phases, Japan will come to possess facilities competitive to those of advanced Western nations. Consequently, it is forecast that satisfactory results can be attained in the field of productivity, production efficiency and cost reduction.

Crude Steel Production of Major Countries

(Unit: 1,000 ton)

	Fiscal 1956 Record (A)	Fiscal 1960 Estimate (B)	B/A (%)
United States	104,524	134,500	129
Soviet Russia	49,391	69,000	140
W. Germany	23,189	29,000	125
United Kingdom	20,991	26,000	124
France	13,399	17,000	123
Japan	11,106	16,860	153
Red China	4,558	8,500	186
Belgium	6,376	7,500	118
India	1,766	6,100	346
World Total	284,000	382,000	135

Source: Iron Age Magazine, January 2, 1958, etc.

The rate of expansion for Japan's iron and steel production is high, being outranked only by India and Communist China. Thus, if the long-term programme now under way moves forward according to the original schedule, Japan will become the fifth-ranking steel-producing nation of the world, edging above France to a position just below the United Kingdom. Her future will be most bright as the only steel-exporting nation in the Far East. On the road to the successful completion of the long-term programme are problems in financial and other aspects which must be solved. Those are:

The market situation which is not favourable at present; the emergence of competitive steel substitutes; the adoption of atomic energy.

Among intra-industry problems are the balanced development of all iron and steel divisions, and the labor question which must rise in connection with modernization. In spite of all these difficult problems, the industry generally is confident that the future of Japan's iron and steel production is most bright.

The Foreign Trade of Japan

Japan's economy in 1957 was marked with a rapid worsening of its international payments situation in the first half and the recovery from it in the second half. The extremely quick growth of Japan's economy brought about an inequilibrium in her international payments, and the government itself was forced to take steps for curbing the booming trend before it tends downward.

From May, 1957 to the spring of 1958, all economic policies were to take forcible measures for recovering equilibrium in the international payments.

Japan's holdings of foreign exchange greatly increased during 1955 and the first half of 1956, and remained at about the same level of amount till the end of 1956. At the end of 1956, the holdings amounted to $1,421 million, reaching 58% of the payments for exchange bills of imports which totalled in 1956 $2,470 million.

With the turn of the year into 1957, however, the foreign exchange holdings began declining at an alarming rate. The outflow of exchange during January-March in 1957 amounted to $229 million, during April-June to $313 million, totalling in the first half of 1957 $542 million.

Gradual increases after that recovered the amount to $951 million.

But in spite of the improvement in the second half, receipts of foreign exchange totalled $3,642 million and payments $4,175, in 1957, balancing unfavorably at $533 million. This was a deterioration amounting to the tune of $826 million compared with 1956 which balanced favorably at $293 million.

Incidentally, during the period between 1950 and 1956, the annual balance of payments turned in the red only once in 1953 at $194 million. The great amount of adverse balance of payments of 1957, the rapid worsening in the first half and the improvement in the second half of the year were in the main caused by great fluctuations in imports.

By quarterly amount, receipts of foreign exchange bills of exports amounted in the first quarter to $658 million, the second to $658 million, the third to $711 million, and the fourth to $754 million, totalling $2,781 million in 1957. Compared with 1956 which totalled $2,402 million, this was an increase of $379 million and 16%, and although less than 1956's increase rate over 1955 which amounted to 23%, was not far from ordinary improvement.

1. FOREIGN EXCHANGE
(In $1,000,000)

	Receipts	Exports	Payments	Imports	Balance	Deferred Payments*	Net Balance
1956: I	749	566	626	531	123	19	104
II	816	612	691	569	125	95	30
III	814	605	807	682	6	17	‡ 11
IV	845	619	807	688	38	23	15
Total	3,225	2,402	2,931	2,470	293	156	137
1957: I	861	658	993	843	‡ 132	84	‡ 216
II	894	658	1,161	991	‡ 268	37	‡ 305
III	926	711	1,152	1,015	‡ 226	(–) 173	‡ 53
IV	961	754	868	723	93	(–) 72	165
Total	3,642	2,781	4,175	3,572	‡ 533	(–) 125	‡ 408

Note: * increase or decrease in balance. ‡ adverse.
Source: Finance Ministry.

As a result, the foreign exchange reserves at the end of June, 1957, declined to $879 million, or 36% of the payments for exchange bills of imports in 1956. Worse still, of the $879 million, the payments in arrears hardly redeemable readily in the open account amounted to $261 million. The government thus was in a tight spot in its operation of foreign exchange. (V. the foreign exchange holdings statistics at the end of the book).

Japan's international payments were always favorably balanced during the period between the second half of 1954 and the end of 1956, except for May, 1955, and July and August in 1956, all of which showed a slight adverse balance. The favorable balance gradually shrank in the second half of 1956, and turned unfavorable from the early part of 1957. In addition, the adverse balance grew larger month after month and reached $97 million in May and $114 million in June, which was the highest amount in 1957.

Thus, the adverse balance of the first half of 1957 amounted to the tune of $400 million, a deterioration of as much as $648 million from the corresponding period of 1956 which favorably balanced at $248 million.

Nevertheless, the monthly adverse balance reached a peak in June, 1957, and then turned decreasing to $101 million in July, $69 million in August, and in fact turned favorable since October. Compared quarterly, the first quarter registered $132 unfavorable, the second $268 unfavorable, the third $226 unfavorable, but the fourth turned favorable at $39 million.

Faced with the dwindling amount of foreign exchange holdings, the government obtained a total of $125 million of loan from the International Monetary Fund to facilitate its foreign-exchange practices. The loan and the improvement in the payments situation in the second half of the year combined to have kept it from further worsening. Thus, the foreign exchange holdings at the end of September totalling $875 million remained at about the same level as at the end of June.

Nevertheless the growth of the value of imports in 1957 was larger than that of exports. Payments for exchange bills of imports amounted to $3,572 million, an increase of $1,102 million over the previous year's $2,470 million. The growth of imports, however, curved downward from the rapid expansion in the first half of the year to the tapering off in the second half.

This can be seen in the movement of value amount of imports quarter by quarter always rising from $688 in October-December, 1956, to $843 million in January-March, 1957, to $991 million in April-June, and to $1,015 million in July-September, but declined sharply to $723 million in October-December. But these figures involve increases or decreases in the balance of deferred payments, and the adjustment of these to indicate the real scale of imports, that is, the value of imports on the supposition that they are all to be settled by payment at sight, will more clearly testify the quick tapering off in the second half of the year.

2. TRADE FIGURES
(In $1,000,000)

Monthly Average	Exports Customs	Exports Exchange	Exports L/C	Imports Customs	Imports Exchange	Imports L/C
1954	135.8	127.7	124.9	200.0	163.5	147.4
1955	167.6	162.8	161.4	206.0	154.0	157.2
1956	208.4	200.2	182.2	269.1	205.8	216.4
1957: January	169.0	218.7	209.4	328.0	261.8	238.6
February	213.3	212.5	202.4	344.2	398.3	289.4
March	274.4	226.9	226.7	393.0	302.4	272.5
April	224.6	223.7	212.6	433.0	301.7	303.3
May	236.8	228.7	220.3	452.8	349.1	320.9
June	209.8	205.3	186.9	392.6	340.2	229.2
July	250.8	240.8	209.6	389.1	367.4	210.2
August	257.6	250.0	215.7	362.3	342.5	183.6
September	259.3	220.1	188.6	319.6	305.5	181.5
October	225.2	262.5	206.2	306.0	263.4	225.6
November	235.7	239.4	178.5	266.3	235.5	178.1
December	302.0	292.6	212.9	296.7	223.6	219.3

Source: Finance Ministry.

The real scale of imports quarter by quarter shows: always rising from $711 million in October-December, 1956, to $927 million in January-March, 1957, and to $1,028 million in April-June, reaching a peak, but tended sharply downward to $842 million in July-September and to $651 million in October-December.

Japan's international payments situation which sharply deteriorated in the first half improved considerably in the second half especially after October, because of the rapid tapering off of imports just described.

EXPORTS & SPECIAL PROCUREMENT

Now let us examine the movement of exports and imports on the basis of the customs statistics. Exports in 1957 totalled $2,853 million, an increase of $352 million, (14.1%) over 1956's $2,501 million. Monthly averages of four quarters resulted in: $219 million in January-March, increasing to $224 million in April-June and to $256 million in July-September, but slightly declined to $252 million in October-December. (Incidentally, the monthly average of July-September was the highest since the end of the war).

Compared with 1956, increases in percentage were 17 in January-March, 12 in April-June, 24 in July-September, but only 5 in October-December.

Of exports classified by commodity groups, the largest in the amount of value was textiles and products thereof totalling $1,015 million, 36% of the total exports of 1957. The second largest was machinery amounting to $625 million (22%). Compared with 1956, except metals and manufactures thereof all groups increased; especially notable were machinery, chemicals and textiles and manufactures thereof.

Of exports classified by items, the largest were ships (the second in 1956) amounting to $345 million, an increase of $85 million or 33% over 1956. Ranked second was textiles amounting to $317 million (an increase of 19% over 1956), 1,470 million yards (an increase of 16%), the highest in value and quantity since the end of the war. Iron & steel which ranked third totalled $209 million, 1,000,000 tons, slightly declining from 1956's $223 million, 1,290,000 tons. The decline of iron & steel exports was due to the active expansion of plant and equipment at home which consumed a great share of production which actually increased over the previous year.

The fourth and the fifth were textiles and garments which had been increasing year after year totalled in 1957 respectively $153 million (an increase of 25% over 1956) and $143 million (an increase of 17% over 1956).

The revenue from special procurement in 1957 according to the foreign exchange statistics amounted to $549 million, declining from 1956 about 8%, $46 million. Of special procurement income classified by items, the United States Forces deposit transferred into the special account of the Bank of Japan to be used for the purchase of commodities and services by the United States Forces amounted to $33 million, yen sales to be used for personal expenditures of the United States military personnel totalled $14 million, both declining to a great extent.

On the other hand, the income from purchases through funds provided by the United States International Co-operation Administration (ICA) increased by $4,000,000, and the revenue from constructions and related affairs in Okinawa also increased by $700,000.

Here one must note that while the the amount of contracts for special procurement in the narrower sense, that is, purchase contracts by the United States Forces for commodities and services, increased to $228 million in 1957 from 1956's $166 million, an increase of 37%, the income through the transfer of deposit decreased greatly as has been just described.

The reasons for the decline were (1) most of such large amount of contracts for automobiles, destroyers for the Defense Agency have not reached the time of payments, and (2) the United States Forces made payments from their yen holdings and thus Japan's dollar income decreased. In 1957 the amount of purchases made by the United States Forces with the yen holdings acquired by selling their surplus properties in Japan and coming from the United States share of yen counter fund from the United States surplus farm produce seems to have amounted to $50 million.

3. EXPORTS IN 1957

	Unit	Quantity	Value ($1,000)	% in Total	Comp. with 1956 (%) Quantity	Comp. with 1956 (%) Value
Foodstuffs			182,323	6.4		101.4
Fish	ton	206,530	121,342	4.3	105.1	100.6
Tea	,,	23,619	5,839	0.2	104.6	103.3
Textiles			1,014,953	35.6		116.5
Raw Silk	bale	74,770	41,869	1.5	99.7	100.2
Cotton Yarn	1,000 lbs.	32,185	27,217	1.0	117.9	103.7
Rayon	,,	29,063	14,519	0.5	156.3	160.7
Spun Rayon Yarn	,,	43,467	20,858	0.7	122.3	129.9
Cotton Fabrics	sq. yd.	1,467,987	316,808	11.1	116.3	118.8
Silk Fabrics	,,	64,934	32,286	1.1	135.6	128.1
Rayon Fabrics	,,	396,125	74,519	2.6	90.4	84.8
Spun Rayon Fabrics	,,	937,780	153,469	5.3	134.9	125.4
Garments			142,769	5.0		116.5
Chemicals			125,972	4.4		118.1
Chemical Fertilizer	ton	1,083,968	63,964	2.2	117.9	128.5
Non-metal Minerals & Products			116,397	4.1		101.6
Cement	ton	2,219,681	38,500	1.3	105.1	101.3
Chinaware			51,064	1.8		108.2
Metals & Products			323,183	11.3		95.1
Iron & Steel	ton	1,000,795	209,372	7.3	77.5	93.7
Non-ferrous Metals	,,	30,997	41,464	1.5	74.6	82.6
Metal Products			72,347	2.5		109.1
Machinery			625,039	21.9		129.2
Textile Machinery			32,592	1.1		88 9
Sewing Machines	set	1,744,674	42,694	1.5	117.5	124.7
Ships	vessel	856	345,039	12.1	108.9	132.7
Other			464,100	16.3		114.8
Lumber	m^8	427,726	22,919	0.8	78.3	80.4
Toys	ton	62,179	61,447	2.2	101.9	110.9
Plywood	1,000 sq. ft.	882,019	54,869	1.9	125.8	129.8
			2,852,567	100.0		114.1

Source: Finance Ministry.

4. SPECIAL PROCUREMENT

(In $1,000,000)

	1955	1956	1957
Yen Sale	287.1	277.3	259.4
U.S. Deposit Transfers	193.9	187.3	154.6
Building in Okinawa	2.1	1.6	6.9
Other Military Consumption	2.9	4.5	
ICA Purchases	70.1	123.4	128.4
Total	556.6	595.4	549.3

Source: Economic Planning Board.

THE FLUCTUATION OF IMPORTS

Imports passing the customs in 1957 amounted to $4,283 million, an increase to the tune of $1,054 million, or 33% over 1956. The total value of imports which passed the customs in 1956 was an increase of 31% over that of 1955, but the increase amounted to only $471 million, which was less than half the increase of 1957 over 1956.

In 1957 imports rapidly increased in the first half and quickly tapered off in the second as this was pointed out concerning the payments situation. Monthly average value of imports quarter by quarter changed as follows: $302 million in October-December of 1956, rose to $355 million in January-March and to $426 million in April-June, but turned sharply downward to $357 million in July-September and to $290 million in October-December of 1957.

Compared with the corresponding quarters a year ago, January-March of 1957 had an increase of 54%, April-June an increase of 58%, July-September 30%, but declined 4% in October-December.

Of imports classified by commodity groups, foodstuffs and beverages increased 3%, textile materials about 3%, animal-plant raw materials (hides, soya beans, etc.) 7%, and pharmaceuticals & chemicals 12%. Non-metal minerals increased slightly over 13%.

On the other hand, metal ores and scraps increased 52%, mineral fuel 65%, machinery 79%, and the miscellaneous group comprising chiefly iron and steel products reached 2.4-fold of the previous year. Thus the first rank of the groups was $825 million (19%) of textile materials, the second $693 million (16%) of metal ores and scraps, and the third $680 million (about 16%) of mineral fuel.

Of imports classified by commodity items, the first rank was $491 million of petroleum, an increase of $178 million over 1956. Raw cotton which ranked first in 1956 declined by $32 million and ranked second in 1957, totalling $448 million. The third was $305 million of iron and steel, an increase of 401% and the quantity increased by 316%. The fourth was $285 of scrap iron, an increase of 55% and 29% in quantity, indicating a considerable rise in price.

5. IMPORTS IN 1957

	Unit	Quantity	Value ($1,000)	% in Total	Comp. with 1956 (%) Quantity	Comp. with 1956 (%) Value
Foodstuffs			573,983	13.4		102.8
Rice	ton	347,345	48,164	1.1	45.7	44.5
Barley	,,	847,795	56,117	1.3	91.9	90.5
Wheat	,,	2,239,098	163,231	3.8	98.3	98.7
Sugar	,,	1,160,173	161,058	3.8	96.5	125.6
Textile Materials			825,478	19.3		103.4
Rayon Pulp	ton	134,524	29,889	0.7	106.3	112.5
Wool	1,000 lbs.	280,097	265,117	6.2	96.0	119.7
Cotton	,,	1,537,717	447,983	10.5	102.8	93.3
Hard Bast Fibres	,,	248,343	30,672	0.7	113.5	121.9
Metal Ore & Scraps			692,744	16.2		151.7
Iron Ores	ton	9,466,561	205,667	4.8	120.3	140.4
Scrap Iron	,,	3,338,211	284,769	6.6	129.2	155.3
Non-ferrous Ores	,,	2,445,656	125,915	2.9	145.6	162.9
Non-metallic Minerals			108,203	2.5		113.1
Phosphate Rock	ton	1,556,671	40,233	0.9	92.3	97.0
Salt	,,	2,086,156	29,028	0.7	89.2	96.9
Mineral Fuels			679,794	15.9		164.7
Coal	ton	6,701,780	174,578	4.1	175.8	192.7
Petroleum	kl.	20,351,730	491,367	11.5	134.5	156.8
Animal-plant Materials	ton		383,383	8.9		106.6
Hides	,,	70,997	28,408	0.7	73.6	93.0
Soybeans	,,	803,182	93,167	2.2	112.0	110.1
Raw Rubber	,,	123,230	80,925	1.9	115.3	110.1
Lumber	m^3	2,890,282	78,964	1.8	111.8	97.4
Chemicals			183,486	4.3		112.3
Potassic Fertilizers	ton	637,502	33,269	0.8	74.9	75.9
Machinery			288,262	6.7		178.9
Others			548,039	12.8		244.8
Tarrow	ton	123,826	27,078	0.6	117.3	122.4
Iron & Steel	,,	2,213,882	304,786	7.1	415.8	500.9
Total			4,283,372	100.0		132.6

Source: MITI.

From the foregoing it will be clear that increases of imports in 1957 were largely iron and steel, machinery and fuel. Materials for and products of iron and steel imported in 1957 increased by $405 million from 1956, fuel by $267 million and machinery by $127 million. The combination of metals (iron and non-ferrous metals), fuel and machinery increased by $874 million, taking up 83% of the total increase in imports of 1957.

6. IMPORT INCREASES

(In $1,000,000; customs)

	1956 (A)	1957 (B)	B—A	B/A (%)
Total	3,230	4,283	1,053	133
Metal Ore	457	693	236	152
Iron Ore	147	206	59	140
Scrap Iron	183	285	102	155
Mineral Fuel	413	680	267	165
Coal	91	175	84	193
Petroleum	313	491	178	157
Machinery	161	288	127	179
Others	224	548	324	245
Iron & Steel	61	305	244	501
(Iron & Steel, Iron Ore, Scrap Iron)	391	796	405	204

CAUSES OF IMPORT INCREASES

Major causes of the rapid increases in imports in 1957 were the rise in prices of raw materials imported, the expansion of plant and equipment in Japanese industries, and the growth of inventories of raw materials and semi-finished materials.

The Rise in Prices of Raw Materials—The general import price index (Finance Ministry survey; CIF) which already tended upward in the second half of 1956 rose sharply since December, 1956, under the impact of the Suez crisis.

During the half year since December, 1956, the general import price index showed about 1% rise month after month and in May, 1957, the index indicated a rise of 7% over November, 1956, and of 9% above the monthly average of 1956.

Nevertheless there were considerable variations in the price fluctuations. While prices of pharmaceuticals and chemicals, oils and fats and textile materials tended soft, foodstuffs (sugar in particular sharply rose), minerals and metals, mineral fuel greatly rose. The rise in prices, however, reached the ceiling in the first half of 1957, and tended to decline in the second half.

The general import price index thus reached a peak in May, 1957 and declined by about 7.5% by December. Still, the average monthly level of import price of 1957 showed a rise of about 7% above that of 1956. The rise in prices of imports thus greatly contributed to the increase in value of imports in 1957.

Expansion in Equipment and Inventories—The growing expansion of investment in plant and equipment characterized Japanese industries in 1956 continued into the first half of 1957. The investment in plant and equipment in 1956 was a real increase of 39% over 1955 according to the national income statistics, and the investment in 1957 is estimated to show an increase of about 40% over 1956, according to the Japan Development Bank.

Increases in production in the industries naturally required proportionate consumption of imported raw materials. Not only that, but since some raw material resources in Japan were not in a position to afford stable supplies to rapid increases in production, Japan relied heavily on imports of those raw materials. Consequently the industries requiring such raw materials tended to demand more than the amount commensurate with their production increases.

In addition, the expansion in plant and equipment led to enormous amount of imports of iron and steel products which had been imported only in a small amount, and Japanese industries had to depend on newly developed machinery to modernize their equipment and imports of machinery increases.

Nevertheless the growth of value of imports in 1957 is not to be attributed to the expansion of plant and equipment alone. Though exact figures are difficult to obtain for insufficient statistics, a considerable portion of increases of imports appears to have been reserved in the inventories.

The Suez conflict was also a factor that contributed to the rapid increases in imports in the period between January and May in 1957. Japanese manufacturers and traders tried to lose no time in buying up raw materials in anticipation of a lasting conflict in Suez. Imports ordered by those makers and traders arrived in succession in the spring of 1957. The increases in imports thus brought about deepened the fear that the consequent dwindling in the foreign exchange holdings would necessitate the government's intensifying the import restrictions, as it was the case with the flooding imports in 1953-54.

Consequently manufacturers and traders demanding raw materials made a great effort to avoid missing the bus in order to purchase from abroad before the government intensify the import restrictions. Their effort in fact met with propitious circumstances. The foreign exchange budget for the second half of fiscal 1956 ending March, 1957, on one hand allocated the largest allocations since the war for imports, and on the other competition for finding borrowers among the foreign exchange banks considerably eased the import financing. All these combined to bring about an enormous growth of imports in the first half of 1957.

TO IMPROVE PAYMENTS SITUATION

On the outlook for the international payments situation in 1957 and fiscal 1957, the government was quite optimistic until about March, 1957. The Kishi Cabinet followed the Ishibashi Cabinet's policy to expand the scale of economy in order to realize full employment. Thus the draft bill of fiscal 1957 budget framed the expenditure in the general account Y102,500 million and the state fund loans and investment plan Y63,300 million, both showing an increase over the budget of the previous year.

The government decided at the end of March, 1957, to allocate $2,236 million for importing commodities during the first half of fiscal 1957 (April-September, 1957). The ample size of allocation for imports was meant for preventing rise in prices and thus preparing for maintaining a price level that would successfully compete with other countries in export. The government did not anticipate a severe worsening of the payments situation at that time. This was evident from the fact that the then Finance Minister Hayato Ikeda in his policy speech at the Diet stated on February 4, 1957, that the increasing imports should not cause any anxiety, and also on April 7, 1957, that the growing imports would soon hit the ceiling.

But the growing imports continued despite the government's incautious optimism. The payments situation turned adverse at the beginning of 1957 and in the period between the end of December, 1956 and the end of April 1957, Japan's holdings of foreign exchange decreased by as much as $315 million. Consequently the government had to buy back the foreign exchange held by the Bank of Japan to ease its foreign fund operation. Meanwhile British banks and foreign banks

under the British influence began to restrict on their credits to Japan. This reflected Japan's credit weakened by her dwindling foreign exchange holdings.

Faced with this gloomy situation, the government was obliged to change its policy of expanding economy and ample imports. Thus with the second raising of official rate on May 8, 1957, the priority in objectives of all economic measures taken by the government was placed on those aiming at improving the payments situation. The government's measures to improve the payments situation are:

Curbing the Growth of Imports—The first step taken by the government faced with the dried up resources of foreign exchange was a series of measures to curb imports mainly by financial restraints.

(1) The withdrawal of government deposits (announced May 8, 1957). The Ministry of Finance deposited a portion of its foreign exchange holdings with foreign exchange banks and supplemented their funds. Now the government decided to withdraw from all the foreign exchange banks except the Bank of Tokyo, totalling 11 banks, 50% of its dollars amounting to $47.5 million by the end of June and 75% of its pounds equivalent to $28 million by May 20.

The foreign exchange banks which used to utilize foreign deposits of the government with low interest rate were obliged to buy foreign exchange with yen fund to repay to the government and thus the government withdrawal bore a great pressure on them.

(2) Cutting down the limit of foreign exchange loans to overseas branches of traders (announced May 10, 1957). Foreign exchange banks loans of foreign exchange to overseas branches of traders tended to be used for purchases on speculation. The government therefore instructed the foreign exchange banks to reduce about 30% the total limit of foreign exchange loans to overseas branches of traders during the period between April and June, 1957.

(3) Restrictions on pound usance (put into effect May 14, 1957). For most of imports to be settled in pounds except a few items of luxury usance is applied. The government reduced the number of items applicable for usance to 33 items including raw materials for manufacturing iron and steel, etc. and cut down the term of usance from four months to three months. The balance of pounds in usance at the time amounted to $110 million, of which about 20% became inapplicable and the term of usance for the remaining 80% was shortened by one fourth.

(4) The revision of import collateral (twice on June 4 and 20, 1957). Applicants for import licenses are required to deposit collateral varying from 1 to 35 percent of the value of the proposed import. This guaranty system was revised twice in June and the percentage of collateral was raised not only for items of luxury but also raw materials required by industries. Some commodities which had been exempted from the collateral imposition became forfeited of the exemption. This was another measure of restraint by cramping merchants' financial situation.

(5) Restrictions on letters of credit for imports (put into force with those issued in June, 1957). The Ministry of Finance and the Bank of Japan interfered in the letters of credit operation of the foreign exchange banks and tried to limit the amount of letters of credit for imports in a month. The result was that despite minor confusions caused by retarded issue of letters of credit for import contracts the runaway growth of imports was effectively curbed. The restrictions on letters of credit, however, were removed at the end of 1957 when the inordinate demand for supply of commodities from abroad declined.

(6) Suspension of allocating foreign exchange budgeted. The government put the budget of foreign exchange for the first half of fiscal 1957 at $2,236 million, the largest frame ever given since 1945. Nevertheless when it became clear to anybody that the international payments tended toward a considerable disequilibrium, the government began in May to restrain the allocation of foreign exchange from the budget by suspending the announcement of imports for foreign exchange allocation. Particularly for raw cotton and wool imports the allocation was drastically reduced. Thus the foreign exchange budget for April-September, 1957 was cut by $16 million and the foreign exchange actually allocated for imports totalled $1,720 million.

(7) The small budget of foreign exchange for the second half of 1957. The budget of foreign exchange for October, 1957 to March, 1958 framed by the government at the end of September, 1957, amounted to $1,652 million including $80 million of reserves, a decrease of $831 million from the budget for the first half. The foreign exchange budget had been continuously expanded since the second half of 1954 on the strength of the balance of international payments growing to Japan's favor. The frame of the foreign exchange budget for the second half of 1957 hit about the middle of those for the second half of 1955 and the first half of 1956. In the foreign exchange budget for the second half of 1957, the allocation for automatic approval which had been continuously growing was greatly cut down and the control over imports was thus strengthened again.

The effects of restrictions on imports. In the initial stage of the government's change of policy from the liberal allocation of foreign exchange for imports to the measures of restraint on the runaway growth of imports, the reaction of importers included to some extent rushing to speculative purchases and particularly to application for automatic approval imports. But the intensification of financial restraint both in foreign exchange and yen cleared all these speculative trade operations. Imports in the second half of 1957 thus turned tapering off from the rapid increases.

Nevertheless the reversing of the movement of imports from growing to declining was not to be attributed to the government's measures of restraint. It is true that declines during the period between June and August were brought about chiefly by the financial measures of restraint by the government. But since the autumn of 1957 declines in imports were caused rather by the fall of demand for supply of goods from abroad. This was evident from the fact that despite the government's restrictions on imports prices in Japan of imported raw materials and finished goods did not show any sign of increase but rather tended downward.

The fall of demand for imports was brought about under the following circumstances.

(1) Increases in imports in the second half of 1956 and the first half of 1957 were caused by the enlarged consumption of imported raw materials as well, but more largely by increases in inventories. Most of the industries in the spring and the autumn of 1957 kept huge inventories of raw materials, semi-finished and finished goods.

(2) What brought about the increases of imports was the prosperity which lasted from 1956 into 1957. But behind the apparent prosperity was the lopsided growth of production capacity over demand as a result of active investment in plant and equipment mainly for consumer goods production during the second half of 1956 and chiefly for producer goods in the first half of 1957 since the second half of 1955. In addition to these factors in the background, the official rate of interest was greatly increased and then the government began restraining investment in equipment. Consequently the boom tended downward in the effort of industries to adjust themselves to the growing lack of balance between production capacity and demand. The gradual decreases of imports in the second half of 1957 may be attributed to this change in the industrial situation.

Loans from Abroad—Simultaneously with the measures for curbing the growing imports, the government planned to obtain loans from the International Monetary Fund and the United States Export-Import Bank.

(1) Japan's loan of $125 million from IMF was approved by the Fund's Board of Executive Directors on June 27, 1957. First a loan of $75 million was extended to Japan on July 2 and then $50 million on August 12, 1957. No string was attached to the loan from the Fund and the loan greatly contributed to the government's foreign exchange needs.

(2) A special short-term loan to Japan from the Export-Import Bank of United States totalling $175 million was approved on June 28, 1957. Of the total, $110 million was to be used for buying raw cotton (of which $60 million was transferred from the loan already extended for purchasing raw cotton) and $65 million for farm produce (wheat, barley, soya bean, etc.). The interest on this loan was 4.5% per annum and the term of loan was nine months to one year from the time of loading.

Measures to promote exports—The most positive way to improve the payments situation is to promote exports. From this standpoint when the official rate was raised on May 8, 1957, the standard interest rate for advance bills for exports was left at 6.94-7.67% per annum, and lowered by 0.3-0.4% on June 20.

MITI announced measures for promoting exports on July 8, 1957: (1) favored treatment of exporters in finance, (2) better conditions for insurance of exports, (3) simplification of export procedure, (4) expansion of the privilege given in taxation to exports, (5) increasing credits to promote exports, (6) increasing allocation for export promotion, etc.

Of these, for (1), favored treatment of exporters in finance the interest rate was lowered since June 20, 1957, as described in the foregoing, and at the same time the Bank of Japan eased the treatment of export advance bills. What is more, at the Diet in September, 1957, a revision of taxation was made and the exemption for income from export trade was enlarged.

Legal privileges to promote export trade consisted of exemption for income from exports, reserves for losses in export business, special repayment for overseas branches. Of these, the most important is the exemption for income from exports. In 1957 the decrease because of the exemption in tax revenue was estimated to amount to about Y6,000 million. The exemption was applicable to 3% of taxable income from export business (this however only applied to general manufacturers, and the exemption amounted to 5% for plant manufacturers, and to only 1% for trading merchants; and the amount of money exempted from taxation was limited up to 80%).

The revision in September increased the percentages of exemption to 4.5% for general manufacturers, to 7.5% for plant manufacturers, and to 1.5% for trading firms. In addition, the 80% limit was removed. Nevertheless, the enlarged rates of exemption only apply to the taxable income coming from the portion of exports exceeding the level of actual amount of exports in the past three years. Up to that level the former rates of exemption are applied.

The plan to increase credits to promote exports was intended to catch up with the world in which big powers were in a hard struggle of gaining influence over underdeveloped countries through credit extensions. In the scheme of MITI for this plan were the extension of terms and easing of security conditions of credit extensions for plant exports by the Export-Import Bank of Japan, and the loans of yen to Southeast Asian countries who were in need of foreign exchange. But within 1957 the plan was not carried out for it required measures through fiscal policy. Part of the plan was realized in the fiscal 1958 budget and the yen loans to India signed February 4, 1958.

TRADE AGREEMENTS

Major trade agreements in 1957 were concluded with England, Australia and Soviet Russia.

Agreement with England—After negotiations since October, 1956 in London, a new trade agreement valid for the period between October, 1956 and September, 1957 (inclusive) was concluded on February 26, 1957 with England. Important changes brought about by the agreement were: the removal of obligations unilaterally imposed on Japan, discriminative restrictions by England on Japanese goods, and the obstacles that prevented Japan from entering into negotiations with British colonies.

These changes that abolished the principle of maintaining equilibrium between the sterling area and Japan rendered the trade agreement with England on the par with agreements with other countries.

Trade agreement with Australia—After negotiations since November, 1956, in Canberra a trade agreement was reached with Australia and signed in Tokyo on July 6, 1957. Japan's trade with Australia was continuously in excess of imports over exports year after year. In 1955 exports amounted to £22 million and imports £50 million, and in 1956 exports £13 million and imports £63 million. (the exchange statistics).

Imports were chronically in excess over exports because: (1) while Japan imported wool which was difficult to buy from other places, Australia bought mainly such consumer goods as textiles and food, items which were easily subjected to import restrictions when Australia's payments situation worsened, and (2) Australia discriminated against Japan by imposing severer import restrictions and higher rate of tariff (Australia's tariff treatments of other countries fall into three categories: special favored treatment for British Commonwealth, most-favored nation treatment, and general treatment, and Japan was included in the last and most unfavorable category).

The agreement concluded in July, 1957 stipulated to reciprocate the most-favored nation treatment. Australia lifted the import restrictions of specified items imposed on Japanese goods alone, and in the control of exchange began treating Japan equally with other non-dollar area countries, and giving the most favored nation treatment in tariffs. Japan also agreed to Australia's demand concerning Japan's imports of wool, wheat, barley, etc. For example, Japan promised to import without discrimination barley and wheat from Australia at competitive prices.

The Treaty of Commerce with Soviet Russia—Japan and the Soviet Union signed a treaty of commerce and an agreement on trade and payments on December 6, 1957. Sadao Hirose, chief Japanese delegate, and Ivan Fedorovitch Semichastnov, Soviet Deputy Minister of Foreign Trade, signed the instruments at the Foreign Office. Valid for five years from the date the exchange of the instruments of ratification which is to take place in Moscow.

Both countries will provide the most-favored-nation treatment to each other in regard to all customs duties, levies and customs procedures and other related regulations concerning the import and export of goods produced in the respective countries. Each of the contracting parties, with regard to prohibition or restriction on import of any products from or export to the other country, shall not impose such prohibition or restriction as is not imposed on the import and export of similar items from or to a third country. Each shall give something of the most-favored-nation treatment to respective merchant vessels. In case a ship of each is in distress in the coastal waters of the other, the ship and its cargoes shall enjoy the same privileges and exemptions as are enjoyed by the coastal ships of the other. Japan agrees to the establishment of a trade mission by the USSR in Japan.

Any provision of this treaty shall not be interpreted as preventing the contracting parties from taking a measure for the protection of serious interests regarding the security of the respective countries (for instance the COCOM embargo). Also restriction on imports and foreign exchange are allowed when they are applied to all countries in order to protect the international payments situation.

The Legal Status of the Trade Mission. (1) The trade mission shall be a constituent part of the USSR Embassy in Japan. The office of the trade mission shall enjoy such exemptions and privileges as are accorded to diplomatic missions. The trade mission shall be permitted to use a code in its correspondence. The trade delegate and two alternate delegates shall enjoy exemptions and privileges that are accorded to the component members of diplomatic missions. (Article 2 of Annex to the Treaty of Commerce). (2) The trade mission shall perform: (a) To facilitate and promote trade between Japan and the USSR. (b) To represent the interests of the USSR in Japan in the field of trade with Japan. (c) To take necessary steps in behalf of the USSR Government with respect to trade transactions. (d) To conduct trade between Japan and the USSR in the name of the USSR Government.

Trade and Payments Agreement. (Valid for one year). (a) All payments between Japan and the USSR shall be by transferable British pounds. But in exceptional cases barter may be allowed. (Heretofore trade between Japan and the USSR have been carried in barter as a rule). (b) The quantity or value listed in Tables 1 and 2 annexed to this agreement indicates the estimated amount of export and import of commodities expected to be achieved as the result of the hope of both Governments. Any stipulation in this agreement will not restrict transactions in commodities not included in Tables 1 and 2 or those included in the tables but exceeding in quantity or value the figures listed in the tables. (c) Major items of Table 1 (list of USSR exports to Japan): Lumber (including logs)..500,000 cubic meters, coal..350,000 tons, manganese ore..20,000 tons, chrome ore..20,000 tons, crude and heavy oil..100,000 tons, platinum..500 kilograms, palladium..150 kg., tin (amount not fixed), potassic salt..50,000 tons, asbestos..3,000 tons, naphthalene..3,000 tons, flex..

The State of the Philippine Manufacturing Industry

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PART III

TAX-EXEMPT INDUSTRIES

With the primordial aim of inducing both local and foreign capital to invest in new industries that are necessary to the economy of the country, Congress approved Republic Act No. 35 on September 30, 1946, authorizing the exemption of new and necessary industries from the payment of internal revenue taxes.

It was the view of Congress that investments in a new industry partake of a gamble as one can foretell the final outcome of its operation. If the industry succeeds, the government would ultimately collect its taxes but the government as a matter of sound policy has to first give the industry a chance to start and grow. On the other hand, its growth would not only be hampered but investments therein would be discouraged.

Six years after the law was passed, only few industries took advantage of the tax-exemption law despite the laudable objectives of R/A No. 35. According to statistics, only 134 industrial establishments were granted tax exemption from 1946 to 1952 as indicated below:

1946	0
1947	0
1948	1
1949	0
1950	13
1951	72
1952	48
Total	**134**

During the period from September 1946 to December 1949, prior to the institution of the exchange and import controls, only 32 filed applications for tax exemption under R/A No. 35. They were relatively small enterprises of insignificant influence in our country.

The reason for the slow growth of industries during that pre-control period was attributed to the failure of Congress to provide for a more comprehensive and specific measure by leaving to the President of the Philippines, the promulgation of the necessary rules and regulations for the qualification of new and necessary industries. It was felt that being mere rules and regulations, they could be changed and amended any time by the President, thus there was no certainty or stability in the policies. Since embarking in any industry involves big outlay of capital, the regulations about new industries must be embodied in the law itself to insure the stability of the industries that would be established under the Act.

So on June 30, 1953, Congress passed R/A No. 901 amending R/A No. 35 with the following important changes:

1. Instead of the original term of four years provided for in Act No. 35, the law provided for the exemption of new and necessary industries from the payment of all internal revenue taxes for a period of ten years, terminating on December 31, 1968. The idea of the longer term is to enable the investor to recover the fair return of his investment before the taxation power of the government is exercised thereon.

The law further made the termination of exemption definite and fixed so as to hasten the establishment of new and necessary industries because people who plan to take advantage of the exemption law would act as early as possible so they can avail themselves of the maximum benefits afforded by the law.

2. The definition of "new industries" is made broader than in the former regulations.

3. The administration and execution of the Act is placed in the hands of the Secretary of Finance who may avail of the facilities of the Department of Commerce and Industry, the Central Bank of the Philippines and the Office of the Economic Co-ordination.

4. The exemption commences at the date of filing of the application instead of from the date of approval.

With the approval of Act 901, the scope of tax exemption includes; (1) all internal revenue taxes, (2) special excise tax on foreign exchange, (3) customs duties and (4) all other taxes imposed by the government and its political sub-divisions.

The immediate effect of this law and its soundness may be appreciated when we consider that within a period of 4 years from 1953 to the end of 1956, 621 new and necessary industries were organized and granted tax exemption as shown by the figures below:

1953	94
1954	132
1955	184
1956	211
Total	**621**

In the words of Secretary of Finance Jaime Hernandez, the "establishment of new and necessary industries was an act of economic necessity dictated by the vital needs of our people. By producing useful goods that we otherwise would have to import from abroad, we strengthen our economic position by the conservation of our dollar resources, make new investment opportunities for otherwise would-be idle Filipino capital, make use of our talent and design in the manufacture of goods, new opportunities for employment to our employable but unemployed population and we give the government a future source of tax revenue."

Table 32. Number of tax-exempt industries as of Dec. 31, 1956, classified by group.

Industrial group	Number
Food products	108
Metal products	164
Chemical products	82
Miscellaneous industries	102
Textiles & Allied products	89
Non-metallic products	33
Paper and pulp products	66
Electrical appliances and parts	43
Wood products	20
Leather products	10
Musical Instrument	23
Rubber products	7
Transportation Equipment	7
Tobacco curing	1
Total	755

2,000 tons, metal-cutter and other industrial machinery and equipment..£200,000.

Major items of Table 2 (list of Japanese exports to the USSR): Herring-packing vessels..2, tuna fishing boats..2, floating cranes..4, ship repairs..£200,000, locomotive..25, passenger and freight cars..25, crans (not fixed), textile machinery..£1,000,000, internal combustion engines (not fixed), mercury rectifiers for electric locomotives..100,000 kilowatts, electric communications equipments (not fixed), fish processing and canning facilities..£650,000, other machinery ..£200,000, rolled steel materials..40,000 tons, tin plate ..3,000 tons, steel wire..2,000 tons, non-ferrous metals..3,000 tons, cable..£200,000, rayon yarn..2,000 sq. yd. staple fibre and other chemical fibres and chemicals (not fixed).

The establishment of more industries during the period from 1950 to 1956 was boosted further by the institution of exchange and import controls which have protective features that give incentives to infant and necessary industries. This simply indicates that in order for new and necessary industries to thrive during its first years of existence, the umbrella of protection should not only be limited to tax-exemption but it must be complimented by exchange controls, protective tariffs and selective importation.

The following statistical highlights are presented in our appraisal of the over-all picture of tax-exemption industries in the Philippines.

Table 33. Capital Investments by Industries

1.	Food manufacturing	108	P 59,516,966.16
2.	Tobacco manufactures	1	551,083.02
3.	Textiles	89	49,046,388.78
4.	Wood manufactures	20	11,021,660.40
5.	Paper and paper products	66	36,371,479.32
6.	Leather and leather products (except footwears)	10	5,510,830.20
7.	Rubber products	7	3,857,581.14
8.	Drugs & chemical products	82	45,188,807.64
9.	Non-metallic mineral prod.	33	18,185,739.66
10.	Metal products	164	90,377,615.28
11.	Machinery, apparatus appliances and supplies	43	23,696,569.86
12.	Transportation equipment	7	3,857,581.14
13.	Musical instruments	23	12,674,909.46
14.	Others	102	56,210,538.54
	Total	**755**	**P416,067,609.60**

Table 33-A. Capital Investment By Nationality

Year	Filipinos	Americans	Chinese	Others
1948	P 281,052.34	P 99,194.94	P 159,814.08	P 11,021.66
1950	3,653,680.41	1,289,534.27	2,077,582.99	143,281.59
1951	20,235,768.49	7,142,035.94	11,506,613.46	793,559.55
1952	13,490,512.33	4,761,357.29	7,671,075.64	529,039.70
1953	26,418,919.98	9,324,324.70	15,022,523.13	1,036,036.07
1954	27,098,908.91	13,093,723.56	21,095,458.00	1,454,859.17
1955	51,713,630.60	18,251,869.62	29,405,789.95	2,027,985.51
1956	59,302,043.79	20,930,133.09	33,720,770.00	2,325,510.34
Total	**212,194,516.58**	**74,892,173.41**	**120,659,627.25**	**8,321,293.10**

The 755 tax-exempt industrial establishments invested an amount of P416,067,609.60, of which P212,194,516.85, were invested by Filipinos, Americans, P74,892,173.41, Chinese P120,659,627.25, and other nationalities, P8,321,293.10. This capital investment would still be lying idle in the vaults of the banks or in savings boxes had not Filipino and alien industrialists mustered enough courage to invest this money in productive enterprises aand new industries. Capital is the key element in the improvement of our national standard of living. Without it, it would be impossible to give productive employment to the new people who come into our force or even to maintain existing jobs at their current productive and earning value.

The above figures indicate that Filipino capital is almost double that of alien capital which is a healthy sign in our economy. It shows positively that our people are becoming industrially-minded and are eager to participate in the economic development of our country.

Table 34. Number of employees and workers in tax-exempt industries, by years.

1948	83
1949	—
1950	1,087
1951	6,022
1952	4,041
1953	7,862
1954	11,040
1955	15,389
1956	14,637
Total	60,161

A total of 60,161 employees and workers were given jobs by the 755 tax-exempt industries as of December 31, 1956, whose number of dependents would aggregate over 600,000 people. The contribution of tax-exempt industries to the solution of our unemployment cannot be ignored considering the acuteness of the problem at present.

The amount of over P45 million paid by tax-exempt manufacturing establishments in the form of wages is another significant achievement of said industries. Representing a monthly payroll of over P1,500,000, this amount has benefited not only commercial establishments but other industries rendering services to the country. The chain of reaction generated in our economy by the outlay of P43 million for wages of tax-exempt industrial workers is indeed hard to measure.

Table 35. Amount of wage paid by 321 tax-exempt industries.

Industrial group	Amount
Textiles	P 4,193,236
Metal products	4,585,778
Non-metallic products	2,128,039
Wood products	1,636,037
Food products	1,238,816
Miscellaneous	1,393,153
Chemical products	1,030,567
Paper and pulp	1,193,960
Electrical parts & appliances	819,374
Basic metal products	311,821
Leather products	267,184
Rubber products	212,931
Printing ink	82,256
Transportation supplies	65,688
Furniture	49,376
Total	**P19,253.216**
Average	**6,000,000**
For 755 firms	**45,300,000**

Table 36. Value of productions of the 321 tax-exempt industries by industrial group.

Industrial Group	Amount
Food products	P 38,364,856
Textiles	35,292,147
Metal products	32,012,242
Wood products	13,090,187
Chemical products	13,260,205
Non-metallic products	10,475,842
Miscellaneous industries	9,395,416
Paper and pulp	11,680,625
Electrical parts & appliances	6,474,862
Leather products	2,343,068
Rubber products	1,603,981
Basic metal products	1,437,704
Printing ink	1,007,164
Transportation supplies	362,978
Furniture	99,283
Total	**P181,200,560**
Average	**P 561,140**
For 755 firms	**423,857,000**

The national income or wealth of the country has been increased by over P423 million, representing the value of finished products manufactured by the tax-exempt industries. Since the income derived from manufacturing in 1955 amounted to P1,140,400,000 according to the figures of the Central Bank, tax-exempt industries have therefore contributed over 30% of the national income from industrial origin.

Our foreign exchange position has been strengthened by P80,267,070, representing the value of local materials consumed by tax-exempt industries which otherwise would have been imported just the same in the form of finished products. Taking into account that our international reserves had been dwindling from $295 million in December, 1953, to $272 million in December, 1954 and to a new low in 1955 of only $209 million, the savings effected in our reserves by P80 million were indeed a good shot in the arm. The extracting, gathering and producing of these raw materials have given

incalculable benefits to our people for the money value of their labor.

Table 37. Local raw material consumption of 321 tax-exempt industries.

Industrial Group	Amount
Food products	P16,260,694
Wood products	5,030,158
Textiles	2,446,756
Chemical products	1,973,284
Non-metallic products	1,513,171
Paper and pulp	1,674,731
Metallic products	2,663,158
Electrical parts & appliances	751,847
Rubber products	675,459
Leather products	568,562
Miscellaneous industries	795,017
Basic metal products	167,810
Transportation supplies	49,947
Printing ink	44,557
Furniture	3,557
Total	P34,618,708
Average	P 106,314
For 755 firms	P80,267,070

Table 38. Amount of dollar allocation given to tax-exempt industries for the purchase of machinery and equipment.

Industrial Group	Amount
Wood products	$ 6,614,666
Textiles	5,782,045
Metal products	1,629,891
Chemical products	876,201
Non-metallic products	229,100
Food products	607,792
Miscellaneous industries	290,052
Electrical parts & appliances	50,954
Printing ink	47,468
Leather products	40,647
Rubber products	35,908
Paper and pulp	889,932
Total	$17,094,296
Average	$ 53,253
For 755 firms	$41,206,014

Table 39. Amount of dollar allocation given to 321 tax-exempt industries for the purchase of raw materials.

Industrial group	Amount
Textiles	$ 9,370,680
Metal products	8,970,365
Chemical products	4,630,159
Food products	4,379,872
Wood products	2,422,020
Miscellaneous	1,482,931
Electrical parts & appliances	1,587,943
Paper and pulp	4,199,176
Non-metallic products	888,708
Basic metal products	60,109
Leather products	447,221
Rubber products	252,721
Printing ink	240,454
Transportation supplies	106,000
Furniture	25,000
Total	$39,063,359
Average	121,700
For 755 firms	$91,883,500

While at first sight the above dollar allocation was a drain in our foreign exchange reserves, the machinery and equipment that would be purchased would augment the productivity of our manufacturing industries. More manufactured articles will be produced and more people will be employed to man these machinery and equipment thus not only increasing the wealth of the nation but unemployment will be eased considerably.

This amount of $91 million dollar allocation for tax-exempt industries generated over P500 million worth of goods and services. This same amount of dollar allocation injected in our economy was responsible for providing employment to 60,161 laborers whose total annual wages reached the enormous amount of over P45 million, and have benefited more than 600,000 people who are dependents upon the said industrial workers. Again the amount represented by these dollar quotas has generated an investment of almost over P400 million and finally the same dollar allocation was responsible for the processing of local materials amounting to over P80 million.

Table 40. Amount of net profits of 321 tax-exempt industries as well as the net losses.

Industrial group	Net profits	Net losses
Textiles	P 5,753,048	P 794,939
Food products	4,877,824	292,246
Non-metallic prod.	3,982,283	394,398
Metal products	5,385,642	583,698
Wood products	2,750,417	
Chemical products	2,248,563	443,793
Miscellaneous industries	2,107,766	80,903
Paper and pulp	4,044,201	66,446
Elec. parts & appliances	1,432,080	
Rubber products	417,863	
Leather products	363,204	
Printing ink	162,281	6,604
Basic metal products	132,374	2,219
Transportation supplies	74,381	
Furniture	6,313	1,503
Total	P33,711,240	P 2,666,749

Real net profit P33,711,240 less P2,666,749=P31,044,491

Table 41. Amount of net sales of 321 tax-exempt industries by industrial group.

Industrial group	Amount
Textiles	P 44,159,046
Food products	43,523,877
Metal products	42,705,631
Wood products	17,089,872
Chemical products	16,461,952
Non-metallic products	14,954,314
Miscellaneous	12,353,692
Paper and pulp	15,750,260
Electrical parts & appliances	8,299,054
Leather products	2,795,993
Rubber products	2,177,287
Basic metal products	1,673,647
Printing ink	1,295,697
Transportation supplies	413,590
Furniture	156,021
Total	P223,818,931
Average	700,000
For 755 firms	P528,500,000

There have been criticisms levelled against tax-exempt industries that considerable profits are being amassed by these industries and therefore tax-exemption is no longer needed for them since they can stand on their own feet in fair competition.

Examining the above figures, Tables 40 and 41, it appears that out of the total sales of P223,818,931, tax-exempt industries made a net profit of P32,044,491 or is equivalent to 14% in round figures. This is a very fair return for any kind of investment and cannot be considered excessive.

In arriving at this alleged net profit, one should not lose sight of the very important fact that taxes imposed by the government and its political sub-divisions such as real estate, import, corporation, internal revenue, city and municipal license fees and other charges by the different government entities were not taken into consideration because the industries are tax-exempted. If these industries would be made to pay for all taxes, it would reach an amount that would stagger one's mind.

Mathematically, however, we could determine whether or not tax-exempt industries are really making excessive profits by using figures presented by Mr. Jose Trinidad in his article in the Industrial Philippines dated October, 1955, as Under-Secretary of Finance.

In said article it was estimated that the tax liability of 240 tax-exempt firms who submitted reports in 1954 was in the neighborhood of P32 million pesos had those firms not been given the privilege of tax-exemption. Roughly, therefore, each firm was liable to the tune of P133,333 in taxes. Using this figure as our basis, it would appear that the 321 tax-exempt industries in 1955 covered in this report would suffer a total loss of P11,755,402 as shown by the following computation:

Computation

Total amount of taxes to be paid to the government by the 321 firms at P133,333	(P42,799,893)
Less: Net profits of 321 tax-exempt industries as shown in table 40	31,044,491
This represents the entire over-all losses of tax-exempt industries if they will be made to pay taxes	(P11,755,402)
Percentage equivalent in losses to net sales ...	5%

The whole picture would change entirely from a net profit of 14% to a net loss of 5%. Following the law of averages, the 755 tax-exempt industrial firms would suffer a total loss of about 7% in the operations.

The charge therefore of critics that tax-exempt industries are amassing big profits is baseless and cannot be substantiated.

Summarizing the important role played by tax-exempt industries in our economic development, the following may be stated:

1. The national wealth or income of the country has been greatly bolstered to the tune of P423,857,000.
2. Idle capital in the amount of P416,067,609.60 has been channeled to productive use for the benefit of the country.
3. Employment of 60,161 industrial workers whose dependents number of 600,000 has been generated.
4. Utilization of our local raw materials in the amount of P80,267,070 has been made benefiting not only our rural population but has made possible the conservation of our international dollar reserves.
5. Productive capacity of the country was increased by the importation of $41,206,015 worth of new capital goods, machinery and equipment.
6. Supplied the country with essential consumers goods which otherwise should have been imported to the detriment of our foreign exchange position.

TAX-EXEMPTION LAW

There has been some agitation, which is indeed unfortunate, to amend or repeal the tax exemption law or Republic Act No. 901 inspired, shall we say, by the saboteurs of our industrialization program.

Such a move would not only be disastrous to our national economy but our people, particularly our local investors and capitalists, would lose faith in this government.

Since the government has already set a definite policy on tax-exemption which will terminate in December 1962, any attempt to disturb it would be unwise and would just create confusion and chaos in our economic set up.

The law itself partakes of an implied contract between the government and private industrialists as a result of which an investment of close to half billion pesos has been sunk in new and necessary industries. To keep the faith of the investors in government, the law must be preserved at any cost.

The incentive features of the law should not be reduced but on the contrary they should be strengthened. Tax exemption as a sole inducement is not sufficient to generate the establishment of industries. It must be accompanied with other inducements such as the Anti-Dumping Law, the Flag Law, Exchange Control, Import Control, Protective Tariff and Selective Importation. All of these economic measures would afford new and necessary industries an effective umbrella of protection during their formative stage of development.

Moreover, it may be emphasized further that new industries encounter peculiar problems during their initial organization periods. It does not mean that immediately upon approval of tax exemption an industry can start operation immediately and make profits. It usually takes sometime before an industry can really begin and get its proper bearings. There have been firms who were granted tax exemption in 1951, 1952, 1953 and 1954 and yet they have not started their operations in 1955 and others as late as the middle of 1956. As of December, 1956, over 100 industrial firms granted tax-exemption were not yet in operation due to various causes stated hereunder.

Some of the cogent reasons why some firms could not start their operations are: (1) factory is still under construction; (2) waiting for the approval of dollar allocation from the Central Bank; (3) pending arrival of machinery and equipment; (4) dollar allocation was disapproved; (5) materials not yet available; (6) installation of machinery not yet finished.

Owing to these peculiar problems, new industries should be given a chance to stabilize first their set up and be allowed to grow until they become deep-rooted to enable them to stand on their own feet. Any attempt to disturb their growth or hamper their development would just prejudice the industry.

Hongkong Notes and Reports

Hongkong vs. Lancashire

The Negotiating Committee of the Hongkong textile industry announced on November 4th the acceptance in principle of the new proposals from the British Cotton Board for a voluntary ceiling on the export of Hongkong textile products to the United Knigdom. The difference between the figures of the counteroffer and those of Hongkong's original proposal is said to be about seven million yards; details, however, are still, being kept confidential. Discussions and negotiations are continuing but it is quite certain now that Hongkong cotton industry will have to freeze exports of cotton goods to UK at a certain level and that in the future must rely upon new markets or better demand from other existing markets for further expansion of exports.

Local textile representatives, however, indicated last week that they would not sign the ceiling agreement until they had obtained a clear picture of how the United Kingdom deals with the action of the French Government in imposing restrictions on the import of Hongkong cotton goods into France and French West Africa. The Chairman of the Negotiating Committee, Colonel J. D. Clague said: "All our discussions were based on the understanding that Her Majesty's Government in the United Kingdom will take effective action in this case and in any similar case which may arise." When the Cotton Board Delegation was in Hongkong, Lord Rochdale assured Hongkong that the UK Government would take such action. Mr. Clague is confident that Lord Rochdale has good grounds for giving that assurance.

The Negotiating Committee of the Hongkong Textile Industry also addressed a communication to the Hongkong Government on the following points: (1)—The Hongkong Government is asked to ratify and administer any voluntary undertaking which the textile industry may enter into with the Cotton Board. (2)—In view of the fact that Hongkong has virtually no home market, and a healthy export trade is therefore vital to the economy and welfare of the Colony, the Hongkong Government is requested to ask Her Majesty's Government to give and publish an assurance that they will not support applications from other United Kingdom industries seeking to obtain similar voluntary undertakings from Hongkong industries. (3)—The Hongkong Government is requested to set up an Advisory Committee, fully representative of the textile industry, to advise them on the administration of any voluntary undertaking which may be entered into as a result of the Cotton Board proposals.

It has been our national policy to encourage the coming in of foreign investments to help develop our natural resources and to establish new manufacturing industries in this country. We cannot afford to negate these efforts by trying to amend or repeal such legislation as tax-exemption, flag law, anti-dumping law or lessen the incentives created for the development of industries for this will just frustrate and discourage the entry of foreign capital. Any move to threaten or scare capital would lessen the tempo of our industrial progress and may lead us into economic stagnation.

(To be Continued)

Reports from London revealed that Britain had on November 4th made "strong and urgent representations" to France about the French restrictions on imports of Hongkong cotton goods into French territories. It remains to be seen whether or not the French Government could be persuaded to reverse or revise the decision. The Financial Times (London) last week commented that it was possible that Hongkong's acceptance of voluntary limitation "may have been accelerated by the French decision to fix a severe quota restriction on imports of Hongkong cotton goods. Local industrialists strongly reputed the allegation and blamed Lancashire for having started all the trouble. It was pointed out at the very beginning of the cotton talks with the British Cotton Board representatives that once a ceiling system is established, other countries will follow suit in restricting imports of Hongkong goods. The chain reaction has already been touched off. In addition to French restrictions, German textile makers are urging similar action on their government. In US, cotton garment makers are clamouring for restriction on imports of HK shirts, blouses, underwear and similar goods.

Is this the beginning of the decline of Hongkong's cotton industry? Judging from the record of the past, local industrialists will be able to find a way out. Nevertheless, the fact that a small British Colony should be made the target of attack by protectionists in industrially much advanced countries and forced to submit under political pressure will discourage future inventments in local industries.

Lancashire is facing a difficult problem—a market that has been steadily receding since 1913; but cutting imports from Hongkong can not solve the problem. Let us once again return to the facts presented in the booklet, "Hongkong and its Textile Industry": Lancashire has 22,472,000 spindles, Hongkong only 338,750; Hongkong's cloth shipments to Britain were less than 4½ per cent of Lancashire's output and only a fifth of all cloth imports into Britain; in the last 10 years, Hongkong bought £300 million worth of British goods but sold only £118 million of HK manufactures to UK.

A large number of politicians in UK, however, choose to ignore these facts. There are also accusations that HK is dumping cotton cloth in UK. Mr. M. N. Rakusen, Chairman of the Exporters Association of Hongkong last week pointed out: "There is no dumping of Hongkong products. Not a yard of cloth leaves the Colony for the United Kingdom except in fulfilment of a direct order received from UK. There would be no advantage in Hongkong firms 'dumping' goods in Britain with order books as full as they are at present."

Commenting on the current development of the cotton talks, the South China Morning Post said in an editorial entitled 'Textile Headaches':

"Hongkong's expressed willingness to reach an agreement with the Cotton Board on the basis of its latest proposals promises to bring to a reasonably satisfactory end a dispute which was, in the first place, unfairly thrust on the Colony, and in the second, was turned into a political issue. In the circumstances our textile interests have had to give in as gracefully as possible. They have the satisfaction of knowing, however, that in acting as they have no dishonour has been brought to their industry or the people of Hongkong. Indeed the Hon. J. D. Clague and his colleagues of the Negotiating Committee earn unreserved congratulations for the manner in which they have acccommodated themselves to all sorts of pressure without surrendering the Colony's vital need of ensuring that its textile industry can sustain its present key position within our economy. When the agreement is finally signed, its terms will probably reveal that Hongkong has

virtually frozen its overall exports of textiles to Britain, and that in consequence any expansion during the following three years will depend wholly on our ability to find new markets. The prospects of achieving that cannot be rated as bright.

The hope must be expressed that Lancashire will fully appreciate the gesture Hongkong is now prepared to make, and that when the agreement becomes effective it will do something to help the British cotton industry towards a recovery. It is commonly acknowledged, however, that import "ceiling" arrangements with India, Pakistan and Hongkong will provide no magical cure for Lancashire's textile ills; the most they can do is to assist in the rational readjustment of the British industry. No matter how loud the wail against Asian competition, much of the blame for the contraction in Britain's textile industry must be apportioned to its failure to modernise plant at a pace comparable with places such as Hongkong, or to work the machines to anything approaching capacity. Moreover it has been declared by competent critics at Home that not all of Lancashire is proficient in the qualities of salesmanship, design and styling, and in the exploitation of new fibres and blended fibres. Wherefore, in the long term, it is Lancashire's task to ensure that with an inevitably smaller industry it makes better cottons at lower cost than its comparable competitors.

"It is rapidly being made clear that attainment of any agreement between Hongkong and Lancashire will not be end of the Colony's textile worries. Indeed the French Government has already given notice that it intends to exploit our predicament. It does so without any justification, and we especially resent employment by the French authorities of that infamous red herring "dumping", and the equally fatuous suggestion that Hongkong is exporting to French West Africa textiles from the Chinese mainland under the guise of being Colony manufactures. Dumping involves the sale of goods at market prices lower than the prices ruling in the country of origin which, if indulged in by Hongkong's textile industry, would quickly bring about the closure of any number of factories. Moreover Hongkong has no need to recourse to such practices—a genuine and increasing market exists in French West Africa for our textile products at prices which bear the normal relation to production costs. The allegation that Hongkong is cheating about its manufactures is equally stupid insofar all locally-manufactured textiles to French West Africa require certificates of origin and without them cannot be classified as Hongkong products either here or at point of destination. Our position is perfectly clear and any attempt to prevent Hongkong from satisfying a demand for our manufactures constitutes victimisation. In this case we shall expect the British Government to exert its utmost efforts to prevent this unreasonable interference with legitimate trade, while for our part we are in the position at any time to prove to the French Government that we are neither dumping our products nor palming off products from elsewhere as our own."

Tourist Trade

Local hotels are again bursting with tourists. Tailors, restaurant owners and shopkeepers catering for tourists once more enjoy booming business. More are coming because American servicemen and warships have resumed their Hongkong recreation visits. According to a United Press International report, Hongkong was the second most popular destination of American travellers touring the East during the first nine months this year. Statistics of the US State Department's passport office in Washington show that 3,581 American tourists visited HK during the period. The most popular Far East destination was Japan which attracted 11,556 American tourists. Other destinations are Taiwan, 1,894; India, 1,640; Korea, 1,417; Thailand, 1,003; Pakistan, 939; Vietnam, 207; Malaya, 16; and other parts of the Far East with 826 American tourists. An American government official in New York last week predicted that American tourists would spend close to US$2,250 million on world travel in 1958. Expenditures by Americans for foreign travel totalled $1,950 million last year. Prospects for Hongkong to enjoy more tourist business during the next few months are therefore very bright.

Trade with Central America

An official trade mission sponsored by the Commerce and Industry Department left last week for the Caribbean and Central America. The mission is led by Mr. Kwok Chan and the other members are Mr. P. V. Botelho and Mr. T. O. Sorby, Assistant Director of the Department of Commerce and Industry. The Government is paying two-thirds of the expenses while the remainder will be paid by the Hongkong General Chamber of Commerce, the Chinese General Chamber of Commerce and the Chinese Manufacturers' Association. The mission will carry out market research on broad lines to pave the way for individual merchant or manufacturer and will also encourage visitors to come here and see for themselves what the Colony has to offer. According to Mr. Kwok, the mission is going primarily to Cuba, Haiti, the Dominion Republic, Venezuela, Panama, Nicaragua, El Salvador and Honduras. Mr. Sorby and Mr. Botelho will also visit Jamaica, Trinidad, British Guiana and Guatemala. At present, Hongkong is exporting only small quantities of cotton textiles, shirts, enamelware, torch cases, cotton singlets, towels, plastics and vacuum flasks to these countries.

Money for a Good Cause

One must admit that spending money on a race course is not wise particularly when in most cases it does not bring more money back into one's own pocket as one may wish. In Hongkong, the story is different because a good portion of the money involved in gambling on horses is donated to deserving charities. Last week, the Jockey Club announced that unclaimed cash sweep prizes and pari-mutuel and totalisator dividends amounting to $4,757,021 have been earmarked for building and equipping a Radiological Institute. Estimated to cost a total of $6,000,000, the Institute is expected to be one of the best of its kind in the Far East.

A total of $9,376,300 has been set aside for donations by the Jockey Club this year. Among them will be a sum of $2,000,000 for a new public swimming pool in Kowloon Tsai and $425,000 for another launch which will be staffed by the Medical Department as a floating clinic for people living in the islands and out of the way places. Plans for both these projects are being drawn up. Other projects being supported by the Jockey Club out of their allotment are: Little Sisters of the Poor Home for Aged at Aberden, $1,000,000; Annual Subventions to various Charities, $969,247; Ebenezer Home and School for the Blind Jockey Club Wing, $900,000; Saiyingpun Clinic—Additional, $700,000; Tai-O Clinic, $600,000; Aberdeen Clinic, $600,000; Kennedy Town Clinic, $500,000; Lutheran World Federation Fanling Hospital, $400,000; Chinese Y.M.C.A. Swimming Pavilion, $295,600; Salvation Army Welfare Centre Building at Morris Hill, $250,000; Family Planning Association of Hongkong, $200,000; School on Morrison Hill—Additional, $150,000; Hongkong Sea School, $140,000; Sin Tin Toa Home for the Aged, $100,000. The Club has also decided to donate to charity the excess of income over expenditure for the year ended June 30, 1958 which amounted to $1,773,732.

Working Hours

New regulations governing the hours of work and employment in industrial undertakings in Hongkong were approved by the Legislative Council last week. The new regulations which will come into force on January 1st., 1959, represent a considerable step forward in Hongkong's labour legislation and will safeguard the health and working conditions of a large section of Hongkong's industrial population. Moving the regulations at last week's Legislative Council meeting, the Commissioner of Labour, Mr. P. C. M. Sedgwick said inter alia: In most countries nowadays there is machinery of some kind for ensuring that hours of work are reasonable in length and that there are regular opportunities for rest. For physiological reasons there is a special need for such protection to be given to women and young persons in industrial employment.

In Hongkong the Factories and Industrial Undertakings Regulations require that young persons between the ages of 14 and 16 may not work more than 9 hours a day or for more than 5 hours at a stretch or for more than 6 days out of 7. There are restrictions under the existing Regulations on the hours during which women and young persons of 16 and over may work but these are primarily intended not to restrict working hours as such but to prevent women and young persons from being employed at night.

At present, it is legal to employ a woman or young person of 16 or over in industry for 13 hours a day for 365 days of the year. In practice, of course no industrial employer does require women or young persons to work such long hours without any break and a comprehensive survey of all sections of Hongkong industry carried out by the Labour Department last summer showed that the average hours worked by the 67,000 women employed in registered and recorded factories amounted to 9½ hours a day. An average period of an hour a day was given for rest or meal breaks and the average period of employment for women in Hongkong industry was thus 10½ hours a day.

Industries in which women customarily performed more than 10 hours of actual work a day were relatively few. These included the manufacture of garments and gloves in which the hours of work were 10½ and cotton weaving or spinning mills which operated on a single shift or double shift system in which the hours of work were either 11 or 11½ a day. The survey disclosed considerable variation in the number of rest days given to women each month. A number of concerns closed down one day a week or gave their workers a day off each week in rotation. Others gave rest days every 10 or 14 days. A number shut down one day a month, while some operated continuously except for customary holidays. With some exceptions, the general pattern was, as might be expected, that the longer the normal working day, the more frequent the number of rest days given. It proved difficult, however, to obtain any satisfactory average figure for the number of rest days granted to women in industry each month, because many factories which either had no system of regular rest days or granted only one or two a month, were in the habit of granting casual leave freely to their women workers on application. Sample enquiries showed that women were in fact taking more days off than the number officially granted by most factories.

Considerable interest was aroused in the UK earlier this year concerning hours of work in the Colony's textile industry. The results of the survey show that some of the more violent criticism was without foundation. But the Government is of the opinion, after consultation with Miss Ogilvie, Assistant Labour Adviser to the Secretary of State for the Colonies, who visited Hongkong last July and made an extensive tour of local factories, that fresh legislation is urgently needed to ensure reasonable hours of work for women and young persons in industry.

Work has already been proceeding for some time on the draft of an Employment Bill which will seek to clarify the law and to provide more effective safeguards in regard to terms of employment generally. Comprehensive legislation of this kind naturally takes time to prepare and Government has therefore decided that the present regulations which relate to industrial employment only should be introduced as a first step in the implementation of its policy to raise minimum standards of employment generally. It will also serve to bring Hongkong's factory legislation in this respect into closer conformity with that in other manufacturing countries in Asia, such as India, Pakistan and Japan.

The main purpose of the present regulations is to restrict the actual hours which women and young persons of 16 and over are allowed to work in industrial undertakings to a maximum of 10 a day and 60 a week and to provide that no proprietor of an industrial undertaking may employ any woman or young person on more than 6 days in any week. No stretch of continuous work may exceed 5 hours with an interval for a meal or rest of at least half an hour in the case of women and young persons of 16 or over or an hour in the case of young persons between 14 and 16. Night work by women and young persons is still prohibited. Within these limits employers are given considerable discretion in fixing actual working hours or breaks from work, which may be staggered if permission in writing is obtained. An employer is free to choose either to close his factory one day a week or to give women and young persons working for him their weekly day of rest in rotation. Overtime within the limit of 10 working hours a day or 60 hours a week may be worked without restriction, the employer merely posting up a notice in his factory on the day overtime is worked setting out the hours to be worked. Overtime bringing the hours of work up to 11 in a day or involving work between 8 p.m. and 9 p.m. can also be worked, provided that the total working hours in any week do not exceed 66 and that the Labour Department is notified. No special permission is required but overtime which has to be reported to the Labour Department must not take place in more than 25 weeks in the year and must not exceed 100 hours in aggregate during any year. There is provision for these limits to be relaxed in exceptional circumstances if the written permission of the Commissioner is obtained. Transitional provisions to cover the case of concerns, more particularly those in the textile industry at present working two 12 hours shifts a day, allow the Commissioner to grant special permission for a period of 6 months for women and young persons of 16 and over to work a maximum of 11 hours a day and 66 hours a week provided at least two ½ hour intervals occur in the course of the day shift.

In order to give employers time to familiarise themselves with the new regulations and for the Labour Department to make the necessary preparations for enforcement, it is proposed that the new regulations should come into force on January 1, 1959. The Labour Department survey shows that most factory proprietors should experience little difficulty in complying with the new regulations as far as hours of work are concerned, since their normal hours do not exceed the new maximum of 10 a day. There are however two main groups where adjustment may present temporary difficulties. In the garment manufacturing and glove knitting trades the average hours worked in a single shift are 10½ and a reduction

of half an hour a day will be necessary. Apart from these trades, the only major adjustments required will be in cotton weaving mills working either a long single shift or two 11½ hour shifts, where less than 15 per cent of Hongkong's women industrial workers are employed. To continue to operate 24 hours a day it will be necessary for the managements to switch from two shifts to three.

Experience elsewhere has shown that shorter shifts increase productivity and the adoption of the three shift system which is already in operation in half our cotton spinning mills and in some of the larger weaving establishments should react to the long term advantage of Hongkong industry. A regular weekly day of rest for women and young persons will involve a certain amount of re-organisation of the work force in many factories but once the system is introduced, it should prove beneficial and requests for casual leave to deal with personal affairs should decrease.

The new regulations will not bring hours of work for women and young persons in Hongkong completely into line with internationally accepted standards and positive advances will have to be made in due course. The sudden introduction, however, of the widely prevalent 9 hour day and 48 hour week would create serious dislocation to large sections of Hongkong industry. The new regulations nevertheless represent a considerable step forward in Hongkong's labour legislation and one which will not only safeguard the health and working conditions of a large section of our industrial population but which is also in the long term interests of the industries which now play so important a part in Hongkong's economy.

Salaries Commission

London has appointed a Salaries Commission to consider and submit recommendations for the revision of the salaries and other emoluments of public officers in Hongkong. The Commission will commence its deliberations in February, 1959. The composition of the Commission will be Mr. James Platt, Chairman, and Messrs. J. R. Jones, M.C., LL.D., and C. Y. Kwan, LL.B., J.P., members. It is probable that a fourth member will be appointed.

The terms of reference of the Salaries Commission are: (1) Generally to consider and submit recommendations for the revision of the salaries and other emoluments of all public officers in Hongkong. (2) In particular—(a) to consider the present diversity of salary scales in certain departments and to make recommendations for their simplification; (b) to consider the present rules governing the entry to salary scales and to make recommendations aimed at establishing an equitable relationship between the scales of various grades and entry points into these scales, taking into account the qualifications and experience required for entry into each grade; (c) to consider whether the existing cost of living allowance should be incorporated into basic salary, bearing in mind that the cost of living has become more stable since the last review and that the present index on which the allowance is based is not completely satisfactory in its application to higher grades of staff; (d) to consider whether justification exists in Hongkong for remunerating women officers at the same rates as male officers, and, if not, what the differential should be; (e) to consider the difference in remuneration of overseas and local officers, and bearing in mind the continued necessity for inducing qualified officers to accept employment in the Colony, to advise whether, and if so to what extent, these differences should be modified; (f) to consider all allowances paid to particular officers or groups of officers and to advise whether, and if so to what extent, they should be modified or incorporated in basic salary; (g) to consider the present system of grading departments for the purpose of determining the salaries of senior officers and to advise whether the system should be modified or whether any changes should be made in the grading of any department; (h) to consider and advise whether the present level of remuneration for senior posts which carry heavy responsibilities is sufficient, and to consider and advise whether the present level of remuneration for any posts or grades is excessive; (i) to consider the rents and other charges paid by Government officers in respect of Government quarters and to advise whether they should be modified.

Mr. James Platt, Chairman of the Commission, is a former managing director of the Shell Petroleum Co., Ltd. in London. He served with the Shell Co. of Hongkong Ltd. (then Asiatic Petroleum Company) in Hongkong before the war and has retained his personal interest in the Colony. Mr. Platt has since had a distinguished commercial career in South America and the United Kingdom. Mr. J. R. Jones, legal Adviser to the Hongkong and Shanghai Banking Corporation, has served on the Public Services Commission, either as a Member or as Chairman, since its inception in 1950 and was a Member of the 1947 Salaries Commission. Mr. C. Y. Kwan, Principal of C. Y. Kwan and Company, Solicitors, has served as a nominated Member of Urban Council since April, 1956, and is a member of both the Housing Authority and Housing Society.

City Hall

Piling work on the new 12-storey City Hall on the Central Reclamation, which is to cost $20,000,000 in all, will probably begin next February or March, and the whole structure completed in June or July 1961. Mr. C. G. M. Morrison, Chairman of the Urban Council, disclosed that tenders for piling work on the building would be called for before the end of the year, and subject to the availability of piling equipment it was hoped to commence this work in February or March. If all went well, the foundation stone could be laid in June or July next year and the whole structure completed in June or July, 1961.

Mr. Morrison said the Government had decided that the administration of the new City Hall should be entrusted to the Urban Council. The Council had as yet no legal responsibilities towards a City Hall, but an ordinance to this effect would be prepared, and it was the intention of Government that this should include adequate safeguards against the use of the building for public functions without the consent of the Colonial Secretary.

Government will also purchase five paintings for the new City Hall. Painted in Western style, the works depict scene of the China coast during the 19th century. The paintings are being ordered from abroad. On their arrival here, they will be displayed in the Central Government Offices until the New City Hall is completed.

Public Works

Teachers' Training—To cope with the increasing demand for more trained teachers in the Colony, Government is to build a new teachers' training college on Hongkong Island. To be known as the new Northcote Training College, it will be situated in Pokfulam and will replace the old and now inadequate pre-war college building in Bonham Road. When completed in the latter part of 1960, the new College will help provide the larger numbers of trained teachers which are now required under the primary schools' expansion programme. Both one-year and two-year courses for teachers in training will be available. The new College is estimated to cost over $5,000,000. The building project consists of a main six-storey block

and a four-storey hostel block. The main block will house the classrooms, various special rooms and laboratories as well as a large auditorium. Due to the restricted nature of the site, and to conserve space, the building will be erected on pillars. Off the main block will stand a large library. In addition to 200 day students, the College will accommodate 200 residential students in the hostel block. There will also be accommodation for four resident wardens who will advise the students on their courses of study and on any personal problems that may arise.

Flatted Factory—A five-storey resettlement factory building is to be erected in the Chai Wan area. This will be the second building of its kind in the Colony; the first flatted factory was completed last year in Cheung Sha Wan, Kowloon. The building in Chai Wan will contain 380 units, each having an area of 200 square feet.

Mental Hospital at Castle Peak—The Castle Peak Hospital for mental patients, which at present consists of a 120-bed chronic ward, is to be extended to a 500-bed hospital. Situated just north of Castle Peak, near the Government Agricultural Station, the hospital and quarters for the medical and nursing staffs will be built on a 40-acre site on the hillside above Castle Peak Road. It is approached by a dual carriageway from the 21-mile post on Castle Peak Road. In addition to X-ray apparatus, laboratories, operating theatre and treatment rooms, various social and recreational amenities will be provided. Work will begin in January next year and is expected to be completed early in 1960.

FINANCE & COMMERCE

HONGKONG EXCHANGE MARKETS

U. S. $

Nov.	T.T. High	T.T. Low	Notes High	Notes Low
3	$579½	579¼	578⅛	577½
4	579½	579¼	577⅝	577⅛
5	579¾	579½	577¾	577½
6	579⅝	579½	577⅝	577⅜
7	579½	579¼	577½	576⅞
8	579⅛	578¾	577	576⅝

D.D. rates: High 578½ Low 577¾.

Trading totals: T.T. US$2,770,000; Notes cash US$390,000, forward US$1,070,000; D.D. US$285,000. The market was very quiet. In the T.T. sector, the volume of business was much reduced due to the absence of eager operators. In the Notes market, shippers provided limited demand for cash notes. Interest favoured sellers and aggregated HK$3.30 per US$1,000. Speculative positions taken averaged US$1,000,000 per day. In the D.D. sector, the market was very quiet.

Far Eastern Exchange: Highest and lowest per foreign currency unit in HK$: Philippines 1.675—1.645, Japan 0.014825—0.01465, Malaya 1.885, South Vietnam 0.0709—0.0699, Laos 0.072—0.07195, Cambodia 0.074, Thailand 0.2762—0.2754, Indonesia 0.0666—0.0606. Sales: Pesos 290,000, Yen 69 million, Malayan $280,000, Piastre 8 million, Kip 6 million, Rial 6 million, Baht 3 million, Rupiah 250,000. Peso suddenly dipped; it was believed that a big sum of pesos was dumped on the market by operators who had been holding the pesos during the past few weeks when Philippine officials were here investigating the large influx of pesos from Manila.

Chinese Exchange: People's Yuan notes quoted $0.80—0.67 per Yuan. Taiwan Dollar notes quoted $0.127—0.126 per Dollar and remittances, 0.1295—0.129.

Bank Notes: Highest and lowest rates per foreign currency unit in HK$: England 16.10—16.07, Scotland 14.80, Ireland 13.50, Australia 12.64—12.62, New Zealand 13.83, Egypt 10.05, East Africa 15.10, South Africa 15.77—15.75, West Africa 13.00, Jamaica 13.50, Gibraltar 13.50, Malta 12.50, Cyprus 12.50, Fiji 10.00, India 1.1775—1.1774, Pakistan 0.80, Ceylon 0.895—0.89, Burma 0.52, Malaya 1.849—1.837, Canada 5.925—5.895, Cuba 5.00, Argentina 0.12, Brazil 0.035, Peru 0.24, Mexico 0.40, Philippines 1.725—1.715, Switzerland 1.34, West Germany 1.365, Italy 0.00905, Belgium 0.107, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.45, France 0.01265—0.0125, South Vietnam 0.0725—0.0705, Laos 0.07075—0.068, Cambodia 0.0745—0.074, New Guinea 1.00, Indonesia 0.07—0.064, Thailand 0.2715—0.27, Macao 0.998—0.997, Japan 0.01495—0.014825.

LAST WEEK'S SELLING RATES OF LOCAL EXCHANGE DEALERS

Country	Currency	Denomination	In HK$	In US$
America	Dollar	5-100	5.78	—
Australia	Pound	5 and 10	12.70	2.199
Britain	Pound	1 and 5	16.10	2.788
Burma	Kyat	10-100	0.54	0.094
Cambodia	Rial	all	0.076	0.01316
Canada	Dollar	5-100	5.92	1.025
Ceylon	Rupee	5-100	0.95	0.165
France	Franc	all	0.0127	0.002199
Hongkong	Dollar	all	—	0.17331
India	Rupee	all	1.185	0.205
Indonesia	Rupiah	all	0.068	0.01177
Japan	Yen	100-5000	0.015	0.002597
Macao	Pataca	all	1.01	0.175
New Zealand	Pound	1-10	13.95	2.416
Pakistan	Rupee	100	0.83	0.144
Philippines	Peso	5-100	1.73	0.30
Singapore	Dollar	all	1.85	0.32
South Africa	Pound	all	15.80	2.736
Switzerland	Franc	all	1.36	0.235
Taiwan	Dollar	5 and 10	0.134	0.232
Thailand	Baht	10-100	0.274	0.04745
South Vietnam	Piastre	all	0.073	0.01264

Gold Market

Nov.	High .945	Low .945	Macao .99
3	$252¼	252	
4	252¼	251⅞	
5	252½	252¼	263¼ High
6	252⅜	252⅛	
7	252⅜	252⅛	Low 262¾
8	252¼	252	

Opening and closing prices were 252⅛ and 252¼; highest and lowest, 252⅜ and 251⅞. The market was no longer affected by the fighting in the Taiwan Straits. Interest for the change over favoured sellers and aggregated 44 HK cents per 10 taels of .945 fine. Tradings averaged 4,700 taels per day and amounted to 28,200 taels for the week, in which 10,610 taels were transacted in cash (1,810 taels listed and 8,800 taels arranged). Imports from Macao totalled 9,000 taels. Exports amounted to 8,500 taels (6,000 taels to Singapore, 1,500 taels to Rangoon, and 1,000 taels to Bangkok). Differences paid for local and Macao .99 fine were HK$12.50—12.40 and 11.30—11.20 respectively per tael of .945 fine. Cross rates were US$38.05—38.04 per fine ounce, and 16,000 fine ounces were contracted at 38.04 per fine ounce cif Macao. U.S. double eagle old and new coins quoted

$265 and 239 respectively per coin, English Sovereigns $59 per coin, and Mexican gold coins $271 per coin.

Silver Market: 500 taels of bar silver traded at $6.00 per tael, and 600 dollar coins at $3.73 per coin. Twenty-cent silver coins quoted at $2.90 per five coins.

Money Market: The market appeared to be tight. Banks and financiers were not keen on real estate mortgages; some even asked for redemptions. Chinese Communist banks curtailed their credits to merchants possibly on account of the approaching year-end. Non-Chinese banks charged 6% p.a. on letters of credit, 6 to 8% on overdrafts and short term loans, and 8 to 10% on mortgages. Chinese banks asked for 10 to 12% p.a. on short term credits and 12 to 15% p.a. on mortgages.

Gold and Silver Exchange: As the Exchange had been operating at a loss recently, members met on November 7th to discuss ways and means of increasing tradings and reducing overheads. Lower commission charges were suggested and the ban on private transactions was also discussed but no decision was reached. Members however agreed to minimize expenses and to use only US$10, 20, 50, and 100 for cash deliveries.

HONGKONG SHARE MARKET

The market retained a firm trend throughout the week. Transactions in Utilities accounted for the bulk portion of the business. Telephones had more buyers than sellers but quotations did not advance because buying offers were kept low; interest in rights was very keen. Trams were firmer while Star Ferries and Yaumatis were steady. Electrics and Lights, however, registered lower prices. Lights in particular lost 60/70 cents in one day because there was no increase in the final dividend as some speculators had anticipated.

Amal Rubbers jumped to $1.80 on Thursday, much higher than pre-dividend quotations; closed slightly lower at $1.75. Banks, Wheelocks, Lands, Stores, Hotels and Cements also attracted a good volume of business. Prices were steady in general.

The turnover on Monday amounted to $523,000; Tuesday, $776,000; Wednesday, $241,000; Thursday, $532,000; and on Friday, $433,000.

HONGKONG STOCK EXCHANGE IN OCTOBER

October followed the pattern of the preceding months and trading continued upon a restricted scale. Rates moved within narrow limits and until buyers are prepared to increase their bids appreciably, we are unlikely to see greater activity in the immediate future. Electric and Telephone "Rights" must be taken up in December.

Banks and Insurances: The demand for Hongkong Banks and Unions continued at prices showing little change with fewer transactions in Hongkong Banks reported. Small parcels of Lombards changed hands at a reduced rate. **Investment Companies:** Light scale trading was reported in this section at rates approximately those ruling last month. **Shipping:** Increased transactions were reported in Wheelocks in light scale trading with no appreciable change in rates. **Docks & Wharves:** More transactions in Kowloon Wharf shares were reported and Hongkong Docks continued in demand without material change in rates, while Providents registered slight gains. **Land & Hotels:** Interest in Hongkong Hotels and Realtys was not sustained. Hongkong Lands were in demand and more deals reported. **Public Utilities:** Buyers of China Lights, Electrics and Telephones were disinclined to increase their bids resulting in restricted trading, but Rights to subscribe to New Electrics and Telephones were in demand and a fairly large number changed hands with unsatisfied buyers at lower levels. More interest was evinced in Star Ferries. **Industrials:** Light scale trading in Cements was reported at improved rates. Other stocks in this section were neglected. **Stores:** Moderate trading in this section was reported with increased transactions in Lane Crawfords. Dairy Farms gave some ground. **Miscellaneous:** Trading in this section was negligible. **Cottons:** More interest was noted in this group, particularly in Nanyangs. Prices showed some improvement. **Rubbers:** Increased trading was reported with no material change in rates.

Dividend announcements were made by Union Insurance Society of Canton Ltd., Eastern Asia Navigation Co., Ltd. and Wheelock Marden & Co., Ltd.

Business during October: $10,392,015. Business in 1957: $147,621,871. Business during January/October 1958: $128,584,395. Business in October, 1957: $9,647,522.

BUSINESS REPORTED DURING OCTOBER

	Qty. of Shares
H.K. Govt. Loan 3½% (1948)	$1,000
H.K. Bank	662
Bank of East Asia	25
Lombard Insurance	643
Union Insurance	3,170
Allied Investors	6,200
Int'l Invest.	3,222
H.K. & Far East Inv.	1,000
Indo-China (Def.)	100
Asia Navigation	5,000

QUOTATIONS FOR POPULAR HONGKONG SHARES

Share	Oct. 31	Last Week's Rate Highest	Lowest	Closing	Up & Down		Dividend	Estimated Yield (%)
HK Bank	747.50	750	747.50	747.50	firm		$45	6.02
Union Ins	71.50b	72b	71.50	72b	+50¢		$3.40	4.72
Lombard	26b	27b	26.50b	27b	+$1		$2	7.41
Wheelock	5.50	5.55	5.40	5.40		−10¢	75¢	13.89
Int Inv	5b	5.20s	5b	5.05n	steady		65¢	12.87
Allied Inv	4b	4.10n	4.10n	4.10n	steady		25¢	6.10
HK & FE Inv	9.50s	9.50s	9.20	9.50s	steady		80¢	8.42
HK Wharf	96s	95s	92b	94n		−$2	$9	9.57
HK Dock	43.75	43.50	42.75b	42.75b		−$1	$2	4.68
Provident	11.40	11.50	11.40	11.40b	firm		$1	8.77
HK Land	30.25	30.25	30.25	30.25	firm		$2.40	7.93
HK Realty	1.40s	1.40s	1.375n	1.40s	firm		15¢	10.71
HK Hotel	21.40	21.60	21.10	21.20		−20¢	$1.50	7.08
Star Ferry	106b	109s	106	106n	steady		$9	8.49
Yaumati	90.50	90.50	90	90.50	steady		$7.50	8.29
Trams	25.10	25.50	25.20	25.20b	+10¢		$1.90	7.54
Light	17.70	17.80	17.10	17.30		−40¢	$1.30	7.51
Electric	25	24.90	24.70	24.70		−30¢	$1.90	7.69
Telephone	24.10	24.20s	24	24.10s	steady		$1.50	6.22
Cement	22.80b	23.20	22.90	23.20b	+40¢		$3	12.93
Dairy Farm	15.50	15.60	15.40	15.50	steady		$1.775	11.83
Watson	11.50s	11.40	11.30	11.40	steady		$1	8.77
Amal Rubber	1.60	1.80	1.60	1.75	+15¢		20¢	11.44
Textile	4.04s	4.05n	4s	4s		−5¢	60¢	15.00
Nanyang	7.25n	7.25n	7.10b	7.25n	steady		$1.10	15.17

	Qty. of Shares
Wheelock Marden	71,045
Wharf Co.	1,605
C. Provident	17,494
H.K. Dock	8,178
H.K. & S. Hotels	23,200
H.K. Land	33,280
Humphreys	3,700
Realty	26,400
H.K. Tram	29,334
Peak Tram (F. Pd.)	100
Star Ferry	1,221
Yaumati Ferry	2,810
China Light	50,392
H.K. Electric	38,544
H.K. Electric (Rts)	53,184
Macao Electric	4,217
Telephone	30,011
Telephone (Rts.)	45,856
Cement	14,390
Metal Industries	1,400
Dairy Farm	36,506
Watson	7,293
Lane Crawford	9,500
Sincere	2,700
Wing On	10
Construction	1,000
Shanghai Gas	500
Textile	8,500
Nanyang Mill	22,750
Rubber	
Amalgamated Rubber	350,360
Ayer Tawah	7,987
Java-Consolidated	6,640
Langkat	1,100
Rubber Trust	72,939
S'hai Kelantan	9,500
Sungala	23,360

CHINA'S TRADE IN OCTOBER

Peking's trade with the Free World still aimed more at selling Chinese consumer goods to markets in Europe, SE Asia and the Middle East than at buying essential supplies and equipment from the United Kingdom, France, Japan and other countries. The bulk of China's agricultural produce exports still went to Russia while light industrial products constituted the major portion of consignments to SE Asia.

Canton Trade Fair—Peking claimed that during the period from October 15th to 31st, 5,127 transactions amounting to HK$356.8 million (about £22.3 million) were concluded at the Fair with businessmen and trade representatives from 42 countries. Principal items included foodstuffs, cotton textiles, silk goods, tea, animal by-products, ores and minerals, chemicals, metals, machinery and equipment, scientific instruments and sundry provisions. A few visiting businessmen also managed to sell some metals, scientific apparatus and other commodities to China but the amount involved and other details were not disclosed.

The chief concern of Canton trade officials is to sell Chinese products. Peking boasts that visitors to the Canton Fair this year are impressed by the "variety, high quality, and reasonable prices" of Chinese export commodities. Machines, lathes and motor cars made in China are said to have attracted special interest of visitors, particularly those from SE Asia. Judging from the exhibits at the Fair, Peking is copying ruthlessly not only the best products of the West but also those of Russia and other Communist countries in Europe. This is possibly one of the reasons why China has been ordering only "sample" shipments of tractors and other equipment and machinery from UK, Europe and other Western countries during the past few years.

China's Shipping Facilities—Another important development in China's trade with the West is the increased volume of direct shipments of Chinese produce to various countries by vessels controlled by Peking. According to reports from Tokyo, Japanese shipping circles noted that during the past six months, China had chartered more than 100 ships from foreign shipping firms; on the London market alone Peking had chartered three to four ships a week at around US$2.50 per ton per month for a 10,000/20,000-ton ship. Hongkong shipping circles estimated that Peking had recently chartered through agents in Hongkong, some 122 vessels of British, Dutch, Swedish, Norwegian, Panamanian and West German registrations. The details are unknown but they are not important; what matters to Hongkong is the fact that China is shipping the bulk of its exports direct to European and SE Asian buyers instead of via this port.

China/UK—Peking bought two British ships during the month: the Springbank and the Canadian Fir both of about 10,000 tons deadweight. The purchase of three more British ships was still under negotiation towards the end of the month. China's purchase of machinery and equipment from UK remained insignificant in spite of the lifting of embargo on a large number of items. According to reports from London, during the first 8 months this year, British exports of machinery to China were less than £1 million and more than half the figure was for textile machinery. Total British exports to China during the period amounted to £12.4 million; principal items were wool tops, £14.7 m; metals, £2.9 million; and textile machinery £0.5 m.

China/France—In barter dealings with China, French foreign trade administration made a slight revision in the regulations to improve the efficiency of the procedure. It is no longer necessary for exports to be made and settled before imports. However, the credit for payment of the imported goods will not be released until a corresponding credit for exports is made available by the Bank of China. The French Customs Board reported that during the first nine months this year, France exported 10,800 million francs worth of goods to China while imports from China amounted to only 3,432 million francs. France's exports to China during the third quarter alone totalled 8,000 million francs. This spectacular jump was due to heavy steel shipments partly as a result of direct orders from China and partly because of orders made on China's behalf by the British firm Lamet Trading. China's steel purchases amounting to 107,813 tons included 49,850 tons of hot rolled sheets, 19,792 tons of steel pipes, 16,187 tons of galvanized and tin sheets and 18,535 tons of cold rolled sheets. The bulk of this steel was shipped during July/September.

China/Japan—There was no improvement in the trade relations between China and Japan. The Japanese Trade Minister, Mr. Takasaki, stated that he would willingly go to Peking if there was any prospect of breaking the trade deadlock between the two countries. A socialist Diet member, returning to Japan from a 17-day China tour, declared that if Japanese Prime Minister Kishi did not change his "unfriendly" attitude towards China, there would be a nation-wide campaign against his cabinet next spring. The Prime Minister made no comments.

On the competition from Chinese cotton goods in SE Asian markets, Japanese trade experts and economists, who had whined about the mounting Chinese competition for Japanese goods early this year, stated that China's penetration into SE Asia's cotton goods market was not as spectacular as had been reported. According to a Japanese survey mission which was sent by the Japanese Cotton Spinners Association to study the extent of Chinese inroads into SE Asia, the quality of Chinese cotton textiles exported to SE Asia has improved considerably but the Chinese goods are being sold chiefly on the merit of lower prices and more favourable conditions than those of Japanese goods. The mission therefore recommended that Japanese spinners find ways of cutting costs and preventing excessive competition among themselves in order to counter the competition from China which is expected to mount. The mission also predicted that exports of cotton textiles from China would increase shortly in view of the "reported bumper cotton crop in China" this year.

Reports from Tokyo disclosed that Japan's trade with China, mostly if not entirely through HK, was quite substantial during the month. Business was conducted on a back to back basis with export and import letters of credit exchanged at the same time. Major Japanese exports were rayon yarn and cloth, cotton yarn and cloth, staple fibre yarn, marine and agricultural products, titanium oxide and sundries. Principal Japanese purchases were beans, apricots, chestnuts and straw-plaits. Most shipments, however, were made direct; the trade did not affect HK's registered imports and exports. For example, reports from Japan claim that Japan's imports from China booked through HK during September amounted to HK$9.6 million but Hongkong trade statistics of September show that Hongkong's exports to Japan totalled only about $7 million.

China/Ceylon—According to Mr. D. P. R. Gunawardene, Ceylonese Minister of Food and Agriculture, Ceylon will buy more rice from China on account of the bumper crop in China this year. Mr.

Gunawardene conferred with Chinese officials during his stay in China on such matters as agriculture and food, promotion of trade and two-way technical aid. Peking is also exporting considerable quantities of cotton goods to Ceylon in exchange for rubber. A total of 8.3 million square metres will be shipped to Ceylon this year.

China/Cambodia—Peking continued to placate Cambodian rulers. Chinese technical experts were sent to Cambodia for prospecting and designing the cotton mill, paper mill and plywood factory which Peking is helping Phnompenh to build. A 5-member Chinese trade group was also sent to Cambodia to get acquainted with the Cambodian market and to transact business. Towards month-end Peking dispatched ten 4-ton trucks to Cambodia as a gift.

China/Indonesia—On October 4th, a Chinese products exhibition was opened in Djakarta under the auspices of the Chinese Trade Counsellor's Office in Djakarta. Exhibits included industrial products, precision instruments, silks, perfumed textiles, semi-conductors, medicines, film projectors and canned foods. On October 13th, China sold 75,000 tons of rice to Indonesia. The contract was signed in Djakarta and formed the last portion of the total of 170,000 tons of rice sold to Indonesia this year. The price was reported to be £48 per ton.

According to reports from Djakarta, China is prepared to offer Indonesia more economic aid with "no strings attached." China has already advanced Indonesia credits worth £14,285,000. Reports from Djakarta during the month also revealed that more than 30 overseas Chinese had been arrested in Djakarta since April this year in a nation-wide anti-Nationalist Chinese campaign in Indonesia. Early in September, Djakarta had ordered the Kuomintang branches to close down and all the members to register with the Indonesian military authorities; all pro-Nationalist civic groups were also registered. All the enterprises and schools that belonged to pro-Nationalist overseas Chinese were placed under the control of the Indonesian Government.

China/Thailand—Reports from Bangkok indicated that authorities there might restrict direct trade between Thailand and China. According to the New China News Service in a report from Peking, China is protesting against the persecution of overseas Chinese by the Thai authorities. The spokesman of the Committee of Overseas Chinese Affairs said in Peking last week: "Recently, under the pretext that the overseas Chinese in Thailand are engaged in Communist subversive activities, Thai authorities have persistently arrested overseas Chinese on a large scale in Bangkok and other places . . . This persecution of overseas Chinese is by no means accidental: it derives from the fact that Thailand, under the pressure of the United States, has gone a step further in following US policy. The United States is strengthening its control over the SEATO countries, forcing these countries to pursue a policy of following closer behind the US and sowing discord in the relations between these countries and China . . ."

China/Malaya—The situation in Malaya and Singapore is also not very satisfactory for Chinese political traders. On October 2nd, the Malayan Government began a full-scale probe into China's trade with Malaya. Officers of the Departments of Customs and Industrial Development questioned importers and retailers of Communist Chinese goods to find out whether these goods were underselling other products. Malayan Government also imposed a ban on imports of certain types of Chinese cloth including dyed shirting and jeans.

In Singapore, the Government imposed restrictions on the free import of Chinese textiles on October 1st. Chinese cement and eggs had already been removed from the free import list. On October 29th, the Singapore Government further announced that it was imposing a 3-month suspension in the issuance of licences for imports of white cotton shirting and sheeting, dyed cotton shirting and sheeting, white jeans and dyed jeans from China. The Government also banned the circulation in Singapore of books and publications of 55 Communist Chinese and Hongkong publishing houses on the grounds that they had printed Communist propaganda.

Rubber merchants in Singapore, however, lost the multi-million-dollar (Straits dollars) rubber trade with China. Peking had bought little rubber from Singapore in the past two months. China's last big rubber purchase in Singapore was in July when it bought about 20,000 tons, worth more than S$33 million.

Towards the end of the month, the Communist Bank of China in Kuala Lumpur was ordered to close its branches in the Federation of Malaya within six months. The Government suspected that the branches of the bank are operating as unofficial consulates for China. Kuala Lumpur also asked the Singapore Government to restrict the activities of the Bank of China in Singapore. In a note addressed to the Singapore Chief Minister, Mr. Lim Yew Hock, the Malayan Government stated that the Bank's activities in certain fields in the Colony were detrimental to the security of Singapore and Malaya. The note charged that top officials of the bank were not confining themselves to purely banking activities as they were expected to do under the law.

China/Australia—On October 6th the Australian Trade Minister Mr. John McEwen urged Australian exporters to sell more goods to China because, "if we do not sell to China we will find other countries selling to them and probably selling them Australian goods." In Adelaide, woolman Rollo Hawkes said that plans were underway to tap a potential market for tens of millions of pounds worth of wool in China. Following Mr. McEwen's advice, Mr. Charles McCarthy, representing B. McCarthy and Company in Melbourne, went to China during the month. The items Mr. McCarthy intends to sell include agricultural machinery, machinery for making concrete parts, zinc and lead materials, dry milk products. Towards the end of the month a 6-man Chinese trade delegation of food and textile representatives arrived in Sydney to study the purchase of wool and other items. The leader of the delegation, however, stated that the trade balance between the two countries at present is uneven; China has bought much more from Australia, particularly wool. The delegation will therefore try to find a market in Australia for some Chinese products to balance the trade. The group will remain in Australia for six months.

China/New Zealand—A representative of the New Zealand Dairy Products Marketing Commission went to China to seek a market there for dairy products. The visit was invited by the Chinese Government. The Commission has been negotiating for business with China for some time and has been sending sample shipments of goods to China.

China/Canada—According to reports from Peking, two Canadian businessmen were so impressed by the Chinese piece-goods on display at the Canton Fair that they ordered one million Canadian dollars' worth of cotton cloth on the spot.

China/Morocco—A Chinese/Moroccan trade agreement was signed in Rabat on October 27th. Under the agreement, China will import phosphate, superphosphate, sardines, cotton and other produce from Morocco and in return export Chinese tea, machines and silk fabrics. Each country will export to the amount of 5,100 million Moroccan francs.

China/Arab Republic—A Chinese trade delegation led by Peking's Vice-Chairman of Foreign Trade went to Cairo on October 25th to negotiate with the Government of the United Arab Republic on trade between the two countries.

China/Poland—A special trade committee in Warsaw recommended that Poland was to export 17 complete industrial enterprises to China and that Poland and China should exchange 465 million zloties (about $18.9 m) worth of goods this year, 50 per cent more than in 1957. Under the recommendations of the special committee, which was formed after a Moscow conference last spring to set up a sort of Marshall Plan for the underdeveloped Communist countries, China will get full equipment for an unspecified number of mines, four plastic factories, an unspecified number of concrete factories and railway car factories, a considerable amount of rolled steel and ocean-going ships, heavy lathes and chemicals. In return, Poland will get unspecified raw materials, wool, camel's hair, hides, cotton, raw silk, rice, pepper, tea, lemons and pineapple juice.

China/Czechoslovakia—From Czechoslovakia, China bought 40 trolley buses, 4,200 tons of oil pipelines, 5,500 tons of seamless tubes and 2,000 tons of transformer sheets. Deliveries of oil pipelines, seamless tubes and transformer sheets will be made during the last quarter of this year.

China/Russia—China's imports from Russia at present are much less than during the first 5-year plan period.

Russia, nevertheless, is still supplying the bulk portion of China's imports of petroleum products, scientific instruments and agricultural and transportation equipment. China's exports to Russia continued to increase. Peking still has a long way to go to clear up the outstanding trade debt accumulated during the 5-year plan period. Chinese Communists are now sending as much oil and oilseeds, woven goods, meat, butter, eggs, tobacco, tea and other produce to Russia as they can scrape together from the people.

According to the Chinese Minister of Foreign Trade, Mr. Yeh Chi-chuang, the total volume of the Sino-Soviet trade in 1958 is about 18 per cent more than last year. Mr. Yeh said that China's imports from the Soviet Union this year increased by 12 per cent and exports by 23 per cent.

HONGKONG'S TRADE IN OCTOBER

The month of October 1958 would probably become the most important period in the history of Hongkong's Commerce and Industry. It is the month during which the free port of Hongkong "voluntarily" accepted restrictions on exports of cotton goods to the United Kingdom. The significance of the development is that it has already emboldened the French Government to restrict imports of Hongkong cotton goods into France and French West Africa. In the United States, cotton garment makers are also urging restrictions on imports of shirts and other cotton goods from Hongkong. The United Kingdom has already protested to France on behalf of Hongkong. The question is would the French Government reverse its stand, or revise its decision, or reject the British representations?

IMPORTS & EXPORTS

Imports of foodstuffs from China and of consumer goods from the United Kingdom, the United States and Japan were maintained at a high level during the month. Exports of Hongkong manufactures to UK, US and Malaya continued heavy while reexports of Chinese products to Malaya and Thailand registered slight increases.

According to official trade statistics, exports totalling $265.9 million were $16.5 million better than during the preceding month with exports to Thailand and Malaya accounting for $5.3 m and $4.7 m respectively of the increase. Imports at $402 million were $25.8 m higher than during September; imports from China alone rose by $25.2 m. Exports of Hongkong manufactures accounted for 40.2 per cent of the total exports and were $8.8 million higher than in the preceding month. Compared with October 1957, however, exports of Hongkong products dropped by $370,469.

Hongkong/China—According to Mr. Ko Cheuk-hung, Chairman of the Chinese General Chamber of Commerce, members of his chamber bought $100 million worth of goods at the Canton Export Commodities Fair during the period from October 15th to 31st. A number of British and European firms here also sent representatives to Canton to book popular items of China produce. Canton claimed that businessmen from Hongkong bought "large quantities" of cotton piecegoods, paper, medicinal herbs, drawn lace work, preserved and canned food, sundry provisions and a great variety of other consumer goods. Businessmen returning from Canton said that they did not buy much oils, oilseeds, cement, sugar, bricks and other building materials either on account of limited supply or due to increased cost. Booking of cotton piecegoods from Canton was also not very heavy because local market appeared to be overstocked. Indents for industrial chemicals were limited to small lots; dealers booked the supply chiefly for local consumption.

Imports from China during the month were heavy consisting chiefly of consumer goods for the local population. At present, about 10 department stores in the Colony are exclusively handling mainland goods such as cotton garments, woollen goods, silk products, shirts, blankets, bed sheets, napery, stationery, shoes, glassware, china, vacuum flasks and other metalware, canned goods, preserved foodstuffs and toys. Hongkong is also depending on China for the supply of frozen meat, live hogs and cattles, poultry, eggs, fish and firewood. The cost of living here is very much influenced by the supply of these items from the mainland. The curtailment of supply of firewood from China during the month sent prices here for firewood upwards to such an extent that even the release of government stockpile did not bring the price down.

To promote sales of woollen piecegoods and knitwear in Hongkong, a 10-day Chinese woollen goods exhibition was staged on the 8th floor of the Chinese General Chamber of Commerce Building. On display were worsted yarn, woollen knitwear, piecegoods and garments made of woollen materials. The exhibition attracted hundreds of thousands of visitors including endless lines of school children who went there to get free pencils and towels which were given out at the exhibition as souvenirs.

China's purchases from the local market remained irregular and unpredictable. Orders from Canton, Peking, Shanghai and other Chinese industrial and commercial centres covered only small lots of cellophane paper, scrap metals and coconut oil. Through local agents of European manufacturers, however, China booked some fertilizers and nylon fishing thread; quantities involved were not disclosed.

Hongkong/United Kingdom—At the beginning of the month, Hongkong textile industries accepted the principle of voluntary limitations on a comprehensive basis of the export of cotton textiles to the United Kingdom. Details were kept confidential but it was believed that Hongkong had offered to restrict shipments to UK at 150 million yards of grey cloth and finished goods in the first year but increasing the quota to 200 million yards in three years or by 5 per cent every year. Lancashire rejected the proposal and counteroffered a flat rate for the three-year period rather than progressively rising ceilings; the quota was believed to be about 7 million yards lower than what Hongkong had proposed. Negotiations were still continuing towards the end of the month. (See Hongkong vs. Lancashire under Hongkong Notes and Reports).

Exports of cotton goods, plastics, rubber shoes, sawn timber, ginger, rosin, seagrass mats, bamboo cane and other produce to UK during the month amounted to about 15,000 tons; cotton cloth and garments constituted about 45 per cent of the tonnage. Imports of base metals, woollen textiles and other industrial supplies and consumer goods also amounted to about 15,000 tons. The value of imports, however, was much higher than that of exports.

Hongkong/Europe—Towards end of the month, France decided to restrict imports of cotton textiles from Hongkong into French territories to half of 1957 value. According to reports from Paris the French Government adopted the decision mainly because they believed that some of the cotton goods imported from Hongkong originated in China! Actually, the restriction aims chiefly to keep Hongkong cotton goods out of French West Africa so that French goods could monopolize the market. France had suspended trade liberalisation with European Economic Community (EEC) countries and their dependencies—including Hongkong—in June 1957 but this measure was not extended to French West Africa which continued to import Hongkong goods freely. As a result, according to the Paris report, French West Africa imported 2,440 tons of HK cotton goods in 1957 and this total is expected to rise to well over 3,000 tons (about 4,000) this year. The French cotton industry had therefore asked the Government to impose quotas on these imports arguing that the bulk of these cotton goods were of Chinese origin routed through Hongkong.

Exports to Europe during the month amounted to about 6,000 tons consisting chiefly of China produce and HK manufactures. Shipments of produce from here to Europe were limited to small quantities because representatives of European buyers in Hongkong negotiated direct shipments to Europe with authorities in Canton and Communist agents in Hongkong whenever possible. Exports of shirts, gloves, garments, drawn lace work, napery, embroideries and other Hongkong manufactured goods were particularly active to West Germany; the volume, however, was still not very impressive. Further improvement will depend upon Hongkong manufacturers' ability to make their products more attractive not only in price but also in quality and packing.

Imports remained at a normal level of about 5,000 tons. Principal items included metals, milk products, wines, provisions and cosmetics. Local dealers booked more perfumes, wines, textiles and ladies' items from France during the month in anticipation of the seasonal

demand during Christmas. Imports from France were about 25 per cent less than during the corresponding period in 1957. Imports from West Germany were also lower than last year. Dealers curtailed imports from Europe this year chiefly on account of the sluggish reexports of paper and other items to SE Asia.

Hongkong/United States—Although shipments of HK manufactured cotton goods to US were much less than similar exports to UK, American garment makers were already urging the Government to restrict imports of Hongkong shirts, blouses, underwear and similar goods. They pointed out that the value of Hongkong's cotton apparel exports to US was nearly US$8.9 million in the first half of this year—more than eight times the amount for the corresponding period of 1957. Increased shipments of Hongkong jeans, ginghams and other cotton cloth to US also drew adverse criticism from US manufacturers. Some American industrialists alleged that part of the cotton used in Hongkong's textile industry might come from Red China. American officials, however, are convinced that only a fraction of Hongkong's cotton comes from China and that Hongkong can ensure that none of it finds its way to the US market. They are also aware of the fact that a large portion of the made-up cotton goods shipped to US are produced by factories which have American shareholders; a number of these factories are even managed by Americans.

Exports to US during the month totalled about 13,000 tons; HK products constituted over 80 per cent of the tonnage. Demand from US for shirts, rattan and hardwood furniture, torch, cotton textiles, plastics, firecrackers, gloves, leather goods and frozen prawns remained strong throughout the month. Freight charges for rattan furniture to US were reduced from US$13.50 to $12 per ton. There was, however, no significant increase in shipments of this item to US because the reduction was too small. According to local rubber footwear manufacturers, exports of rubber shoes to US declined this year on account of the increased import duty there on this item.

Imports of tobacco, wheat flour, black plate, petro products, textiles, machinery and equipment, automobiles and household appliances exceeded 10,000 tons during the month; the volume was much less than this time last year. Dealers here were reluctant to book too much durable and stable consumer goods from US because sales this winter would have to depend chiefly on local consumption. Demand for late 1958 model American cars was also limited not only on account of the high price but also due to the huge size which makes them difficult to manoeuvre in Hongkong.

Hongkong/Japan—Imports of cement from Japan were particularly heavy during the month because local demand was very strong while supply from China was curtailed. Imports of wheat flour, fertilizers, rayon goods, fruits, metals and cotton piecegoods were active throughout the month but each consignment limited to only a few hundred tons. Imports from Japan remained at a much reduced volume compared with last year because reexports of Japanese goods to SE Asia did not improve.

Exports were discouragingly quiet. With the exception of two vessels which left here with about 1,000 tons, other ships leaving here for Japan were loaded with only a few hundred tons each. Principal items included kaolin, iron ore, scrap metals, beans, bonemeal, maize and oils.

Although Japan continued to procure produce from the local market because trade relations between China and Japan remained in a deadlock, the volume involved was very small. The lack of adequate spot goods here and the low buying offers limited the volume of business to a certain extent but it appeared that consumption of various produce in Japan had also declined this year.

According to Tokyo reports, trade between China and Japan via Hongkong was active during the month; transactions were concluded through Hongkong firms and payments were made by back to back L/Cs. These dealings, however, did not affect the local commodity market because shipments were usually made direct between Japan and China.

Hongkong/Thailand—Exports from here to Thailand remained sluggish in the first half month because Bangkok importers had been buying large quantities of cotton goods, metals, garments and other consumer goods and supplies direct from China in the preceding month. The coup d'etat in Bangkok also handicapped trading with Hongkong to a certain extent. During the second half month, however, demand from Thailand for Hongkong manufactures as well as for Chinese goods suddenly improved. Consequently, total exports during the month were actually better than in the preceding month. Indications are that Bangkok may restrict direct trade with China due to political reasons.

Imports of rice from Thailand were much less than during the preceding month. Supply of beans, maize, green peas, hide, groundnut and teak from Thailand also curtailed. Imports of rice in November should be better because Bangkok resumed the issuance of export licences for this item on October 1st; cif Hongkong quotations for white and broken rice were also marked down in Bangkok to solicit orders from here.

Hongkong/Indonesia—Exports to Indonesia averaged only about 400 tons per week. Principal items included cotton textiles, wheat flour, torch, pharmaceuticals and metalware. The volume of Hongkong's direct exports to Indonesia remained low partly due to the lack of sufficient foreign exchange in Djakarta and partly on account of the restriction imposed by authorities there on Chinese merchants. Furthermore, Peking was shipping an ever increasing volume of consumer goods and industrial supplies to Indonesia.

On the other hand, large quantities of Hongkong products and other consumer goods were reexported by Singapore and Malaya to Indonesian territories. Hongkong spinners and weavers were also anticipating orders from Indonesia for the processing of American cotton for Djakarta. US had earmarked about US$65 million worth of American agricultural surplus including US$25 million worth of cotton for Indonesia.

Hongkong/Malaya—Malaya (together with Singapore) remained Hongkong's best customer in the Far East with purchases amounting to about HK$32 million during the month. Principal items included cigarettes, vegetables, canned food, sundry provisions, plastics, enamelware, metals, pharmaceuticals, cotton textiles, knitwear, cement, wheat flour and eggs. Demand from these two territories for Hongkong manufactures improved considerably because authorities there had restricted imports of a number of Chinese products including cotton textiles. Hongkong also sent large quantities of Chinese foodstuffs and sundry provisions after Singapore and Malaya had restricted the activities of Communist bankers and Chinese political traders there. The steady reexports of various commodities from Singapore and Malaya to Indonesia and other nearby territories also encouraged Malayan merchants to book more supplies from Hongkong.

Hongkong/Philippines—Importers in Manila ordered only small lots of torch cases, cotton goods, rubber soles and other Hongkong manufactures from here because authorities there further tightened the control over imports financed from self-provided foreign exchange. Towards the end of the month, Manila allocated more funds for various essential imports and reduced the deposit on L/Cs but Philippine importers still bought only insignificant quantities of metals, cotton textiles, beans and other essentials from here because they obtained the bulk of their imports direct from US, Japan and other sources. The drop in the value of pesos in Hongkong after the recent large influx of peso notes also made imports from Hongkong more expensive to Philippine importers.

Prospects for improving exports to the Philippines are dull because the Philippine Government is still in a very critical financial condition; the Government is not earning enough to cover all expenditures. Whatever foreign exchange funds are available for imports will also be directed first to purchases from US and Japan.

Hongkong/Korea—Hongkong imported more dried fish, oysters, agar agar, ginseng and other staples from South Korea after the reduction of replenishment cost. Purchases, however, were limited to small lots because reexports of these items to SE Asia and other markets remained sluggish.

Exports to South Korea were also quiet. Seoul importers were interested in paper, pharmaceuticals, worsted yarn, dyestuffs, watches and condensed milk but purchases were handicapped by low buying offers. Authorities there also invited tenders from Hongkong traders for the supply of hospital equipment, agricultural machinery, paints, generators, transportation equipment, etc. Response from local

businessmen was cold because Seoul had been procuring these supplies from Japan and United States in the past.

Hongkong/Taiwan—Exports to Taiwan remained at a very low level. There were some enquiries from Taipei for a number of essential goods including paper and chemicals after authorities there had allocated more foreign exchange for industrial supplies; low buying offers, however, restricted the volume of these purchases.

Imports from Taiwan consisted mostly of small consignments of cotton yarn, cement, sugar, live hogs and camphor products. Shipment of citronella oil to HK was suspended towards the end of the month. Imports of sugar from Taiwan also slowed down; local dealers assumed a very conservative attitude on new bookings on account of the mounting competition from mainland sugar.

Hongkong/Cambodia—Imports of rice, sesame, maize, hide, live hogs and other merchandise were limited to small quantities. Exports were also stagnant; there were only irregular consignments of small quantities of paper, sugar, cement, enamelware, cotton goods, sundry provisions, fruits, vegetables, metalware, glassware and medicinal herbs.

The chance of improving the trade with Cambodia is very slim because authorities there are discouraging Cambodian importers from buying Chinese goods and other supplies from Hongkong. Under the Chinese Aid Programme, Peking is sending large quantities of light industrial products direct to Cambodia.

Many Hongkong businessmen who went to Cambodia during the past few years to promote Hongkong/Cambodia trade have returned to Hongkong recently due to the lack of business prospects. Funds were also transferred back to the Colony causing a sharp drop in the exchange rate for rial in the local money market.

Hongkong/Laos—On October 10th, the Laotian Government announced the devaluation of kip to 80 kips per one US dollar from 30:1. Vientiane also allocated more foreign exchange for imports of metals, paper, detergents, sugar, wheat flour, paints, cotton goods, metalware and garments from Hongkong; the amount for each order, however, was limited to small sums.

Hongkong/Vietnam — Saigon bought small and irregular lots of medicinal herbs, vegetables, fruits, paints, vacuum flask and other HK products from here. Reexports of American and other goods to Saigon were very quiet because authorities there maintained the policy of importing supplies direct from manufacturing countries whenever possible. Businessmen there could not even get import licences for American pharmaceuticals packed in Hongkong because authorities there suspected that Chinese Communist capital might be involved in Hongkong's packing plant.

Saigon is now buying mainly from France, US and Japan; each supplying about a quarter of Saigon's total imports. Among countries sharing the other quarter, West Germany is the No. 1 supplier.

North Vietnam wanted to sell more rice, cement, medicinal herbs, taro chips and other staples to Hongkong. A trade mission came here to promote the business during the month.

Exports to Haiphong were limited to small lots of cotton textiles, sundry provisions, coconut oil, patent medicines, paper, chemicals and metals. Authorities there procured the bulk of their imports from China and Japan.

Hongkong/Burma—Trade with Burma remained sluggish; both imports (of beans, tobacco, rubber, etc.) and exports (of foodstuffs, patent medicines, wheat flour and HK goods) were restricted to insignificant quantities. Rangoon's interest in groundnut oil was keen but buying offers were too low in most cases to interest Hongkong exporters. Towards the end of the month, there were indications that Rangoon might import more supplies from here if Hongkong would import more rice from Burma.

Hongkong/Ceylon—There was slight improvement in exports of cotton goods, metalware, plastics and other Hongkong manufactures to Ceylon. Further increase in exports to Ceylon is not possible because China is still supplying large quantities of consumer goods to Ceylon. According to reports from Colombo, Ceylon got US$1.55 million in American technical cooperation funds for the fiscal year ending June 30, 1959. This American aid, however, can in no way help to augment Colombo's purchases from here because technical cooperation funds are that part of US aid which pays for US experts, training opportunities abroad for Ceylonese and for related experimental and teaching equipment.

Hongkong/Australia—While UK and France want to curtail imports of Hongkong grey sheeting, Australia may increase imports of this item from Hongkong. According to Mr. V. A. McAloon, managing director of the Jeldi Mills, Sydney, his mills used about 6 million square yards of grey cloth last year in the finishing trade but only a small percentage of which was bought from Hongkong. He was pleasantly surprised by Hongkong's up-to-date factories and impressed with the quality of Hongkong products and predicted that his country would increase the import of grey cloth from Hongkong.

Another Australian businessman, Mr. Roland Hill, managing director of American-British Travel Headquarters, Sydney, advised Hongkong textile manufacturers to arrange fashion shows in Australia, particularly in Sydney and Melbourne, for the promotion of trade and tourism. Mr. Hill said that with the cooperation of Australian departmental stores, such fashion shows would stimulate the interest of Australians, especially women, in Hongkong textile products.

To attract more orders for Hongkong products, local manufacturers have already decided to participate in the forthcoming International Fair in Melbourne (February 1959). About 500 exhibitors from more than 15 countries will be represented. The fair is being organized by the Melbourne Chamber of Commerce.

An Australian Trade Mission, organised and sponsored by the Australian Exporters' Federation, started its tour of the Far East and near Pacific to stimulate demand for Australian products. The mission will come to Hongkong in November.

Hongkong/Africa—Shipments of Hongkong manufactured goods to African markets went mostly to West Africa, particularly to French West Africa, and cotton textiles constituted the bulk portion of the consignments. French West Africa, however, will soon be restricting imports of Hongkong cotton goods. (See Hongkong/Europe).

Demand from East Africa for Hongkong manufactures improved slightly during the month covering chiefly rubber footwear, umbrella, torch, household utensils, canned food, matches, ginger, rayon and cotton piecegoods and made-up articles. Exports to South Africa remained at a low volume.

Imports came chiefly from East and South Africa. Principal items were cotton, beans, tobacco, ivory, groundnut, hide, fruits and canned goods.

COMMODITY MARKETS

Produce—Europe was keen in oilseeds, oils, feathers and menthol crystals but the volume of these purchases was small because local dealers could not get sufficient supply from Canton. Indications are that reexports of China produce from here to Europe will steadily decline because China is sending popular items such as oils and animal by-products direct to West Europe by their newly procured ocean-going vessels or by ships which they have chartered.

Japan continued to buy some sesame, gallnut, maize, cassia oil, aniseed oil, woodoil and peppermint oil from the local market; quantities involved were also small. Japan's booking of forward shipments from China through Hongkong firms did not stimulate the local market because deliveries were made direct by China.

The local market, however, was kept active also by orders from New Zealand, Canada, and UK for tea, woodoil, rosin, kapok and menthol crystal; from Burma for groundnut oil; and from Singapore and Malaya for beans. Local demand for beans, maize, woodoil, rosin, and groundnut was also steady throughout the month.

Metals—Exports to SE Asia, chiefly to Thailand, Burma and Singapore, were limited to small consignments of structural steels and base metals. China enquired for galvanized iron sheets but most transactions fell through because counteroffers from China were too low to interest local dealers. Demand from

China for scrap metals—brass, copper and steel plate cuttings—was keen. On the other hand, Japan's purchase of scrap metals from here declined because Japanese steel makers were importing scraps direct from North Borneo and US at prices much cheaper than Hongkong's offers.

Local demand for structural steels and base metals remained strong throughout the month keeping prices at a very firm level particularly because stocks of most popular items were thin while replenishment costs remained high. The stock situation improved during the second half month after fresh supplies arrived from Europe and Japan; prices retained a firm trend.

Paper—China made an unexpected purchase of cellophane paper from the local market. Demand from Korea, however, was still not very keen and interest was limited to woodfree, cellophane and duplex board only. Taiwan enquired for art printing, sulphite, glassine, cellophane and manifold but most transactions fell through. Exports to SE Asia went chiefly to Thailand and consisted of newsprint, poster, flint and mg cap; quantities were insignificant.

The market, however, was kept very active by local demand. Manufacturers of firecrackers, enamelware, torch light cases and batteries, garments, cigarettes and foodstuffs provided steady demand for printing and packing paper. Local consumption of newsprint and writing paper was also very strong. Prices for most items were firm especially after imports from China slowed down during the first half month.

Industrial Chemicals—Sodium and ammonium salts, acids, lanolin, urea, linseed oil, petrolatum, shellac, gum arabic, paraffin wax, formalin, caustic soda, oxides and lithopone enjoyed steady demand from Thailand, Taiwan and Korea. The volume of trade, however, was small because orders from these sources amounted to a few hundred dollars each. Business was also limited by the lack of adequate stock here of American and European goods to meet the demand from Taiwan and Korea. Taiwan importers also got only small sums of foreign exchange to cover their purchases. Local demand for acetic acid, petrolatum, calcium hypochlorite, bleaching powder, carbon black, rongalite C lumps, sodium nitrate, manganese dioxide and lithopone was steady throughout the month but quantities involved were insignificant as usual.

Pharmaceuticals—The market was quiet. Enquiries from Korea, Singapore, Malaya, Thailand and Indonesia covered only a few items including sulfonamides, aspirin, quinine, saccharine crystal and ascobic acid. Most transactions fell through because stock here was inadequate. Prices were steady in general. Local demand for fine chemicals and patent medicines remained normal.

Cotton Yarn—Hongkong brands were firm throughout the month because spot goods dwindled after heavy purchases by local weavers and knitters at the beginning of the month. Spot transactions were quiet during the second half month but Hongkong yarn retained very firm prices because demand for forwards from local mills as well as from Indonesia, Laos, Thailand and the Philippines continued strong. Some mills were anticipating orders from Djakarta for the processing of American cotton.

Imported brands were sluggish. Pakistan brands were marked down in sympathy with lower indents but still attracted only limited local demand. Indian yarn was also marked down but registered almost no business during the month.

Cotton Piecegoods—Hongkong manufactured grey cloth, gingham and other finished cloth retained very strong demand from UK, US, Africa, Thailand, Philippines, Indonesia, Singapore and Malaya. Local millowners, however, are anticipating restrictions in exports to UK, Africa and possibly to some other countries as well. Quota restrictions in exports actually will have less adverse effects on large mills than on small weavers. Indirectly, controlled exports may even eliminate unhealthy local competition if Government limits further expansion in the number of looms in Hongkong. Indications are that local weavers will have to produce more better quality goods in the future instead of cheap cloth.

Trading in imported cloth on the local market during the month was very quiet. Prices for Chinese greys and drills were weak because supply far exceeded demand. Japanese white cloth retained steady local demand; prices, however, were also weak.

Rice—The local market was weak during the first half month because Thailand had resumed the issuance of export licences; Bangkok indents were marked down; and imports from China, Cambodia and other sources were heavy. Prices were firmer during the second half month after local retailers had absorbed large stocks from importers.

Wheat Flour—Hongkong brands were kept firm by steady local demand and orders from Singapore, Malaya, Burma and Laos. Imported brands were weak because large consignments continued to arrive from Australia, Canada and the United States while reexports remained sluggish.

Sugar—Taiwan sugar attracted some orders from Cambodia, Singapore, Malaya, Laos and South Vietnam but prices remained weak in the local market on account of the keen competition from Chinese mainland sugar. Dealers curtailed booking of Taiwan sugar during the month because mainland sugar was not only cheaper but payment terms were also more attractive. Hongkong products were barely steady.

Cement—Local demand for HK and imported brands was so strong during the month that in spite of the very heavy imports from Japan, prices were steady in the local market. There were also orders from South Vietnam, Singapore, Malaya and North Borneo but quantities involved were not very impressive.

COMMODITY PRICES

PRODUCE

Aniseed Star — Kwangsi, export quality, £96 per metric ton c & f Europe. North Vietnam, new, $53 per picul. **Cassia** — Lignea, Kwangtung/Kwangsi, £210 per long ton fob HK. **Duck Feather**—Export quality, NN 85%, 3s 2d per pound c & f Europe. **Goose Feather**—HK processed, GGS 90%, 4s 6d per pound c & f Europe. **Menthol Crystal**—HK, $36 per lb. Shanghai, $36. Taiwan, $30.50 lb. **Peppermint Oil**—HK, $15 lb. Shanghai, $19.50. Taiwan, forward, $11 lb. **Realgar**—Hunan, export quality, A grade, $70 picul. **Alum**—Chekiang, $19.50 picul. **Talcum**—Kwangtung, $14 picul. **Rosin**—South China, mixed, 1st quality, $102 per quintal. WW grade, £64/15/0d per metric ton c & f Australia. **Sesame**—Indonesia, yellowish-white, $85 picul. China, black, $120. Thailand, black, $80. Taiwan, black, new, $77. Cambodia, brown, $70.50 picul. **Aniseed Oil**—China, in drum, 7s 8d lb c & f Europe. HK distilled, in drum, $780 picul. **Camphor Oil**—Taiwan, export quality, $125 picul. China, white, $2.40 per kilo. **Citronella Oil**—Taiwan, $2.65 fob Taiwan per lb. Hainan, forward, 3s 5d lb. **Cassia Oil**—China, 80/85%, in drum, 13s 2d lb c & f Europe. **Spearmint Oil** — Shanghai, $33.50 per kilo. **Woodoil**—China, refined, in drum, prices per long ton: c & f Australia, £110; c & f New Zealand, £115; c & f Canada, £100. **Bitter Almond**—Tientsin, red membrane, £150 per metric ton c & f Europe. **Gallnut**—China, £300 per metric ton c & f Europe. Korea, $310 per picul. **Groundnut Cake**—Thailand, $30.30 picul. **Kapok**—Hainan, 1st quality, unsorted, £170 per metric ton c & f New Zealand. **Maize**—Cambodia, yellow, forward $21.50 picul. China, yellow, forward, $19.50 picul. **Turpentine**—China, in drum, 1st grade, forward, £71 per metric ton c & f Australia. **Black Bean**—Shanghai, large, new, $135 picul. **Broad Bean**—Chekiang, $45 picul. **Green Pea**—North China, $55 picul. Cambodia, new, $57. Thailand, 1st quality, large, $72 picul. **Red Bean**—South Vietnam, new, $45 picul. Tientsin, $62.50. **Bamboo Bean**—Burma, white, $30 picul. Kweichow, $27. South Vietnam, red, $35. **Soya Bean**—Dairen, $45 picul. Chekiang, 1st, $52. **String Bean**—Thailand, white, large, $66 picul. North Vietnam, $42. **Groundnut** (shelled)—Indonesia, new, $70 picul. Tsingtao, unsorted, $85. Taiwan, new, $64 picul. **Groundnut Oil**—Africa, forward, $132 picul. China, forward, $120. Thailand, new, $136 picul. **Soyabean Oil**—China, in bulk, $89 picul. Japan, spot, $95 picul. **Cotton Seed Oil**—China, in bulk, $85 picul.

METALS

Mild Steel Angle Bars—Europe: 1/8" x 3/4" x 3/4", $41 picul; 1/4" x 2" x 2", $35.50; 1/2" x 4" x 4", $37. **MS Flat Bars**—Europe: 1/8" x 1/2", $42 picul; 1/8" x 5/8" to 1", $41; 1/4" x 1" to 2", $39; 3/8" x 2 1/2" to 4", $39.50. HK: 1.8" x 1/2" to 1", $33.50; 1/4" x

½" to 2", $33. **MS Round Bars**—Europe: ⅝" dia, $32.50 picul; ¾" dia, $32. HK: ¼" to ¾" dia, $32.50 picul; ⅞" to 1" dia, $33. **MS Plate**—Japan, 4' x 8': 1/32", $57 picul; 1/16", $53; ⅛", $41; ¼", $38; 5/16", $39. **Galvanized Steel Plain Sheets**—UK, 4' x 8', ⅛", 57¢ lb. **Steel Wire Rope**—UK, 24 x 6 x 7, 1½", $1.70 pound. HK, 24 x 6 x 720': 1", $1.50 lb; 1¾", $1.08; 2¼", 98¢; 3", 90¢ lb. **Tinplate Waste Waste**—Coked: UK, 18" x 24", $88 per 200-lb case. Electrolytic: US, 18" x 24", 1 ton skid, $77 per 200 lbs; UK, $74. Misprint: US, 18" x 24" and larger, $40 picul. **Blackplate Waste Waste**—UK, 18" x 24" and larger, G29/G33, $43.50 picul. **Galvanized Iron Sheet**—Japan, 3' x 7', USSG 34, $4 per piece. **Tinplate**—UK, 20" 28", $125 per 200-lb case of 112 sheets with tin-lining. **Aluminum Sheets**—Japan, 99.5% alloy, 4' x 8', G28, $1.90 lb. UK, rolled, 99.5% alloy, 2' width, G22, $1.85 lb. **Brass Sheets**—UK, 4' x 4', 16/18 lbs per sheet, $270 per picul. **Copper Sheets**—Europe, 4' x 8', 1/16", $2.40 lb. **Galvanized Iron Wire Shorts**—Europe, G8/G14, 1st grade, $33 picul. **Galvanized Iron Wire**—Europe, G18, $62 picul. **Black Pipe**—Europe, 18' to 22': ½" dia, 34¢ per foot; 1" dia, 57¢; 1½" dia, 95¢; 2" dia, $1.25; 3" dia, $2.15; 5" dia, $3.20 ft. **Galvanized Iron Pipe**—Europe, 18' to 22': 2" dia, $1.40 ft; 3" dia, $2.60; 4" dia, $3.80 ft. **Steel Box Strapping**—Japan, blue annealed, ⅝", G27, 47¢ pound. **Brass Scraps**—Large and medium size salvaged from engine parts, $175 picul. New brass sheet cuttings, $173 picul. **Iron Scraps**—Cast iron scraps, $15 picul. Iron plate, ship salvage, ⅜" and over, $22 picul. Wrought iron scraps, 1st choice, $230 per ton; 2nd choice, $135 per ton.

PAPER

Newsprint—In reels, 31", 50/52 gr, prices per pound: US, 42¢; Canada, 42¢; China, 42¢; Japan, 40¢; Austria, 42¢; Finland, 42½¢; Norway, 42½¢. In reams, 31" x 43", 50/52 gr, 48/50-lb ream, prices per ream: Europe, $22.50; Japan, $18; China, $18 to $21.50. **Flint**—China, coloured, 31-lb ream, 20" x 30", $30.50 ream. **Prime Glassine**—30 gr, 30" x 40", prices per ream: Europe, $34.50; Japan, $30.50; China, $28. **Coloured Glassine**—Germany, France or Austria, 30 gr, 26-lb ream, 30" x 40", $37 ream. **Cellophane**—30 gr, 36" x 39", prices per ream: UK, $68; Japan, $56; Italy, $67.50; Sweden, $64.50; France, $65.50. 42" x 52": Italy, $95; Sweden, $95; France, $93. Coloured, 36" x 39", Europe and Japan, $87 ream. **Bond**—White, 22" x 34", 60 gr, 32-lb ream, with watermark and brand name, prices per ream: Europe, $31.50; Japan, $23. **Woodfree**—31" x 43", Austria, 60 gr, 57/60-lb ream, 72¢ lb. Japan, 60/100 gr, 57/100-lb ream, 68¢ lb. China, 60 gr, 57-lb ream, $30 ream. **Manifold** White, 22" x 34", prices per ream: Europe, 30/32 gr, 16/17-lb ream, $16.30 to $18.30; Japan, 30 gr, 16-lb ream, $16; China, 28 gr, 15-lb ream, $12.20. Coloured, 22" x 34": Europe, 30 gr, 16-lb ream, $18.50; China, 30 gr, 15-lb ream, $13.30. **Tissue**—Austria, 25" x 44", 17 gr, 13½-lb ream, $15.50 ream. Norway or Sweden, 17 gr, 13½-lb ream, $15.30. Czechoslovakia, 17 gr, 13½-lb ream, $15.20. **MG Pure White Sulphite**—Europe, 35" x 47", 50/90 gr, 60/100-lb ream, 66¢ lb. **MG White Sulphite**—Europe, 40 gr, 47-lb ream, 35" x 47", $28 ream. China, $22 ream. **MG Pure Ribbed Kraft Paper**—Austria, 39 gr, 46-lb ream, 35" x 47", $29 ream. Japan, $24. **MG Ribbed Kraft**—Europe, 60/150 gr, 70/160-lb ream, 35" x 47", 66¢ lb. Japan, 60/100 gr, 58/120-lb ream, 62¢ lb. **Duplex Board**—Sweden, 230 gr, 220-lb ream, 31" x 43", $123 ream; 250 gr, 240-lb ream, $133 ream; 300/420 gr, 280/380-lb ream, 59¢ lb. **Chip Board** (with grey back)—Norway, 290 gr, 280-lb ream, 31" x 43", 49¢ lb; 250 gr, 240-lb ream, $117 ream. **Strawboard**—Netherlands, 26" x 31", 20/40 oz, $550 per ton. Japan: 8 oz, $430 ton; 8/16 oz, $440; 12/14 oz, $435; 20/32 oz, $520. China: 8/16 oz, $375 to $410 ton. Taiwan, 8/16 oz, $375 ton.

INDUSTRIAL CHEMICALS

Bicarbonate of Ammonia—UK, $707 ton. Germany, $600. Japan, $530 ton. **Bicarbonate of Soda**—China, refined, $21 per 50-kilo bag. UK, $46.50 per 100-kilo bag. **Bleaching Powder**—UK, 35%, forward, $38 per 50-kilo drum. **Calcium Hypochlorite**—Japan, 60%, 55¢ lb. Taiwan, 49½¢ lb. **Caustic Soda**—China, $102 per 200-kilo drum. German, $520 per 400-kilo drum. UK, $190 per 340-kilo drum. **Chlorate of Potash**—China, 66¢ lb. Japan, 65¢. Switzerland, 67¢ lb. **Formalin**—UK, 38¢ lb. **Glycerine**—China, $1.70 lb. Netherlands, $1.93 lb. **Gum Arabic**—Sudan, $1.02 lb. **Gum Copal**—Malaya, No. 1, $205 per picul. **Gum Damar**—Malaya, No. 1, $250 picul. **Hyposulphite of Soda**—UK, 32¢ lb. China, 25¢. **Lithopone** (30%)—China, 27½¢ lb. Netherlands, 33½¢.' Germany, 32¾¢. Italy, 31½¢. **Linseed Oil**—UK, $135 picul. India, $132. **Lemon Shellac**—India, No. 1, $212 picul.

PHARMACEUTICALS

Dihydrostreptomycin—UK, expiration date, 1962, 65¢ per vial of 1 gram; 1959, 58¢. **Aureomycin Capsuls**—US, 1962, $22.60 per bottle of 16 caps each containing 250 mg. **Sulfadiazine Powder**—Australia, $20 lb. France, $19.20. UK, $20 lb. **Sulfathiazole Powder**—UK, $11.40 lb. Germany, $10 lb. **Sanatogen**—UK, $96 per dozen 8-oz bottles. **Aspirin Powder**—Australia, $2.75 lb. France, $2.70. Germany, $2.65. **Gum Acacia**—UK, $2.45 lb. **Vitamin B2 Powder**—Germany, $205 per kilo. **Vitamin B1 Powder**—Germany, $180 kilo. **Phenacetin**—Germany, $4.40 lb. UK, $4.70. Italy, $4.65 lb. **Quinine Ethylcarbonate**—Netherlands, $2.95 per 1-oz carton. **Quinine Sulphate**—Netherlands, $148 per 100-oz tin.

COTTON YARN

Hongkong Yarn—10 Counts, $750 to $880 per bale; 12's, $820 to $920; 20's, 880 to $1,000; 30's, $1,230; 32's, $1,230 to $1,250; 40's, $1,340; 42's, $1,480 bale. **Japanese Yarn**—32's, $1,210 to $1,230; 40's, $1,310 to $1,340; 42's, $1,390 to $1,420. **Indian Yarn**—10's, $690 to $700; 20's, $810 to $915; 32's, $1,060 to $1,090. **Pakistan Yarn**—10's, $680; 16's, $880; 20's, $830. **Chinese Yarn**—20's, $765 to $915; 32's, $1,130; 40's, $1,225 bale.

COTTON PIECEGOODS

Grey Sheeting—Chinese brands, 38" x 40½ yds, $25.70 pc. Hongkong brands. 36" x 40 yds, $33 to $36.50 pc. Indian brands, 35" x 40 yds, $22 pc. Japanese brands, 38" x 40½ yds, $26.50 pc. **Grey Jean**—HK brands 30" x 40 yds, $25 pc. Chinese brands, $24.60 pc. **White Shirting**—Japanese brands, 36", $1.07 to $1.30 per yard.

RICE

White Rice, 100% Whole—Thailand: special grade, $60.10 picul; 1st grade, $58.50; 2nd grade, $57.50. **White Rice**—Thailand: 5%, new, 1st, $55.90 picul; 10%, new, 1st, $52.80; 15%, new, 1st, $48.30; 3-quarter, 2nd, $41.30. Cambodia: special, $51; 1st quality, $47.50; 2nd quality, $50.60 picul. Burma, $37.30 picul. China: Canton, 1st, $53.50; Canton, 2nd, $50.60; Sun Hing, $40.80; Chaimei, special, $59; Seemew, special, $60.

WHEAT FLOUR

Australian Flour—$12.40 to $13.50 per 50-lb bag. **American Flour**—$13 to $14 per 50-lb bag. **Canadian Flour**—$32.50 per 100-lb bag and $15.30 per 50-lb bag. **Japanese Flour**—10.50 to $12.70 per 50-lb bag. **Hongkong Flour**—$12 to $16.80 per 50-lb bag and $29.50 per 150-lb bag.

SUGAR

White Granulated Sugar—Taiwan, refined, No. 24, forward, $40.15 picul. Canton, $38. Tientsin, fine, $40.60. HK, fine, $40. Japan, fine, $41.60. **Brown Granulated Sugar**—Taiwan, No. 21, refined, $34.50. HK, $31.10. Cuba, $33.30. Australia, $33.80.

CEMENT

Ordinary Cement—Hongkong brands: Emeralcrete, rapid hardening, $6.60 per 112-lb bag; Emerald, $5.60 per 112-lb bag and $5.20 per 100-lb bag. Japanese brands, $5.20 per 100-lb bag. Chinese brands, packed in 45-kilo bags, forward, $105 per metric ton cif HK ex-ship. Taiwan brands, $101.50 per metric ton.